The NATIONAL UNDERWRITER

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Multiple Line No Pot Of Gold, Has Proved Tougher To Cross Lines Than Expected But Is Essential Development In The Business

A thorough and realistic assessment of multiple line underwriting and the influences it is exerting on the business were presented at a panel during the convention in Philadelphia of American Assn. of University Teachers of Insurance.

Harry F. Perlet, general manager of Multi-Peril Insurance Conference, discussed the impact of multiple-line

R. C. McCullough

H. F. Perlet

underwriting on coverages, contracts and operating results; Roy C. McCullough, assistant general counsel of Lumbermen's Mutual Casualty, and former manager of Multiple Peril Insurance Rating Organization, went into the philosophy and background of ML underwriting, and Shelby Cullom Davis, head of the New York stock brokerage and investment firm that bears his name and that specializes in insurance stocks and investments, talked about the impact of multiple line on company earnings.

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The three speakers were realistic in their approach. They were pessimistic about the immediate future and benefits to be derived from multiple line underwriting. They emphasized the failure of many companies to branch out into new lines with any degree of financial or other success. However, all three conceded that multiple line underwriting is an important development and perhaps an essential one, and that its results are beneficial to the public and eventually will benefit insurers that are able to surmount the difficulties inherent in the problems that multiple line underwriting produces.

Except in the area of all-risk coverages, multiple line laws have had relatively small effect on coverages, Mr. Perlet said. The broadening of coverages in the last 10 years has been coincidental, rather than the effect of multiple line writing. These broadened coverages actually resulted from the high level of business after the war, the relatively good experience, the need for expansion to take up slack created by cancellation or termination of many insurance contracts at the end of the war, and the prevailing optimism as to the future of business in general and the insurance business in particular.

He cited as an example the broad form dwelling coverage issued in 1952. That could have been developed under prior laws, and in fact was written in several states, such as Ohio, before multiple-line laws. Broadening of theft, liability and other coverages was permitted by laws existing prior to multiple line laws.

The multiple line laws, however, have stimulated the development of all risk coverages—though Mr. Perlet indicated that he was not prepared to argue presently as to whether this is a good or bad thing.

Prior to multiple line legislation, while contracts could be extended vertically to take in more and more perils, either fire or casualty, they could not be expanded horizontally to include both fire and casualty perils. This horizontal expansion became therefore a natural consequence of multiple line laws. This development in many ways was natural and necessary, Mr. Perlet said. Logically it is difficult to justify requiring insured to have one policy for fire, windstorm, etc., and a separate policy to cover theft, burglary, etc. In the dwelling field it is also difficult to justify not covering certain liability exposures as well as first party cover-

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Travelers Goes To 10% On Class 2 Auto Risks In N. Y.

Travelers has revised its schedule of commission paid on automobile lines in New York. Commissions on auto BI and PDL risks located within the five boroughs of New York City will be 15%. Commission on class 2 business statewide will be 10%. No change was made in commissions on PHD business or on risks outside the five boroughs except class 2.

Settle Record Injury Award For $600,000

The world record $750,000 award for personal injuries granted nine year old Michael Finn by a jury last July 2 has been settled with the payment of $600,000 to the boy by the two utility companies held responsible.

The jury verdict in superior court was upheld by the trial judge Nov. 1, when he denied a motion for a new trial or reduction in the amount of the award. Attorneys for the utilities, Commonwealth Edison and Northern Illinois Gas, indicated they would appeal. James A. Dooley, prominent NACCA, said it was decided to accept the $600,000 because of the possibility an appeal court might reduce the award and because the boy might die of his injuries.

When the jury verdict was announced insurance men were staggered. It exceeded by several hundred thousand dollars the previous record award, and the $600,000 settlement is far and away the largest ever paid.

The accident occurred in an explosion in a hardware store in Roselle, Ill. It was charged that Commonwealth Edison was negligent in drilling into a gas line while installing a light pole in front of the store. The gas company was charged with negligence for failing to repair the leak promptly after it was reported. Michael Finn suffered the loss of his left leg above the knee and his right leg below the knee and had extensive burns and brain injury.

The utilities also paid $25,000, the statutory limit for wrongful death, to the parents of Michael's brother, Robert Finn, 12, who was killed in the explosion.

Hold Open Way To N. Y. Court Review Of N. A. Dwelling Deviation

New York Fire Insurance Rating Organization has filed a petition with the supreme court in New York City for a review of the decision by Superintendent Leffert Holz upholding a deviation in fire rates on the dwelling classes of approximately 10% by North America.

The decision by Mr. Holz was handed down last Sept. 4 and the time for appeal to the court expired Jan. 4. The appeal preserves the right asking for a court review.

New York State Assn. of Insurance Agents and Greater New York Insurance Brokers Assn. filed similar petitions through C. Joseph Danahy, broker counsel.

Late News Bulletins . . .

Continues Five Year Term In California

America Fore, in a letter from William E. Matchett, vice-president in charge of the Pacific coast territory, has advised its agents in California that it intends to continue to write business for terms longer than three years. The group has so notified Pacific Fire Rating Bureau, which adopted a rule banning terms longer than three years effective Jan. 1.

Other major insurers, it is understood, will take action similar to that of America Fore to protect their choice dwelling class business, much of which is on a five year basis in the state, from being promptly shifted to insurers not bound by the rating bureau rule.

The action presumably serves notice on insurers and rating bureaus that have

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Auto Rate Increase Asked In N. Y. Is Modest, Cahill Says

Hearing Develops New Data, Indicating Experience Is Worse; Big Crowd Attends

NEW YORK—Insurers are continuing to experience tremendous losses on automobile liability in this state and clearly are entitled to rate increases, James M. Cahill, secretary of National Bureau of Casualty Underwriters, testified as the first witness in the hearing being conducted by the department. Last November the department turned down filings for a 9.5% increase in private passenger car rates, a 5.3% increase in commercial car rates, and a 1.8% reduction in garage rates.

Mr. Cahill was followed by J. M. Muir, manager of Mutual Insurance Rating Bureau, which also filed for the increases, and which joined with National Bureau in the request for the hearing. The bureaus have indicated they will take the matter to and through the courts to get the rate revisions they asked, and the hearing is the device for making the record that will be taken to court.

There was no indication that the department is likely to reconsider its disapproval, though that is procedurally possible. Questioning of Mr. Cahill by counsel indicated that the department is interested in breaking paid claims out of incurred losses, which include outstanding unpaid claims on which reserves have been set up by the insurers on the basis of judgment and experience.

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Mr. Cahill disclosed that many states already have approved the 1958 round of auto liability rate revisions, which, he indicated, are generally upward. He put in new loss information over the objection of George J. Gross, department counsel, on results for the first half of 1957, results which show that the upward trend in losses continues.

The hearing room in the department's new quarters on three floors of the handsome new building at 123 William street was crowded by representatives of producers, companies, company organizations, and bureaus. Many stood at the morning sessions.

Arthur Lamanda, deputy superintendent, is the hearing officer. Flanking him for the department were Raymond Harris, Frank Harwayne, William C. Gould, Andre Pouy, and Joseph Oster.

James B. Donovan, general counsel, is handling the proceeding for National Bureau, and Harry J. Friendly appeared as counsel of Mutual Bureau.

Mr. Cahill testified in contradiction to the specific arguments used by Superintendent Leffert Holz as reasons for disapproving the request for

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N. Y. Reports On Abuses In Excess Field And Suggests Measures To Deal With Them

Though the excess line insurance market has its small place in the vast insurance business, its present dimensions have expanded beyond the present needs and really constitute surplus. This is the conclusion reached by Milton Shalleck, executive assistant to Superintendent Leffert Holz of the New York department, after an extensive study, the results of which are embodied in a report that runs, together with exhibits, several hundred pages.

Excess line activities now encompass too great a field, Mr. Shalleck declares in the report. Operations in this field should be narrowed by delimitations which he recommends. If this is done, he believes, "the remaining portion covering legitimate emergency needs can be adequately controlled."

If the reforms he suggests are accomplished, the report states, "the moral character of the excess lines portion of the industry will be restored and departmental regulation will be accepted for the good of all."

Mr. Shalleck makes several recommendations for tightening the laws governing activity in the excess line field. Legislation heretofore enacted was not intended "to foster the unhealthy growth of this kind of anomalous activity," he writes. Excess line writing was designed only to satisfy emergency needs and not to fulfill regular, ordinary needs of insured. Without attempting to demean this part of the insurance business, he states, it is still only a marginal activity.

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"That the excess line operations have grown into major proportions, way beyond the original intended needs which gave it birth, merely indicates that control and supervision, although thoroughly attempted, have never really been able to cope with the situation. The excess lines fraternity did nothing even to police itself," the report declares.

To bring the excess market down to its proper limits requires the cooperation of the rest of the business. The sole blame is not that of the excess line group. Some insured have been driven to nonadmitted insurance because rates charged by admitted companies for the particular risk are prohibitive, according to the report.

In 1948 the excess line law was broadened on a temporary basis to include practically all casualty lines, and has been renewed since, though Mr. Shalleck has been unable to determine what real emergency existed in 1948 or subsequently. It seems incredible, he states in the report, that since 1948 the admitted market for such risks as water damage, burglary, glass, collision, personal injury and property damage liability was so continually tight as to keep ordinary insured from obtaining coverage there.

The right to place such insurance should be returned exclusively to the authorized companies, he declares. Occasional needs for permitting excess underwriting should not dictate general broad advantageous authority to conduct a business excluded from the jurisdiction of the supervisory authority, he believes.

Excess lines brokers have argued that with compulsory automobile limits above statutory (which have to be obtained from admitted companies) should be available in the excess market. However, Mr. Shalleck thinks not.

Consequently, he recommends that next Nov. 1, when the present law containing excess lines authority, comes up for renewal the limitations on excess be returned to where it was 10 years ago.

Alternatively, he suggests an arrangement, authorized by legislation, to allow admitted insurers to set up a pool to write risks refused by separate authorized companies before the risk can go to the excess line market. Or, there might be set up a plan similar to the assigned risk plan for automobile coverage. This could, he suggests, compel a licensed company on a rotation basis to accept a risk for an adequate premium, despite its ban on such risk in the regular course of business.

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Because of abuses in the field, Mr. Shalleck contends, it is time to go beyond warnings, censure or small fines in policing the excess business. The only effective way to do this, he states, is to place on the excess broker personal liability and to revoke the broker's license in case of violation.

Mr. Shalleck sets out several abuses which his "policing" recommendations are designed to cure. One of these, which he terms "a prevalent malignancy," is the exaction of large and extraordinary fees not only for basic coverage but for "service." Despite departmental efforts to stamp out this abuse, it still prevails. For example, one broker regularly makes a $25

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Uphold Indictments Vs Cooney And Others

New Jersey superior court at Newark has upheld indictments against John R. Cooney, former president of Firemen's; Harry A. Trotter, second vice-president of the company, and Albert S. Borok, head of a Newark furniture company.

The indictments allege that the three conspired to defraud the insurer of more than $200,000 in connection with payment of bills for linoleum, rugs, and refurbishing of the company's home office.

"Barron's" Takes Look At Hard Hit Insurers

Barron's, the business and financial weekly, reviews the situation faced by fire and casualty insurers, in an article in the Dec. 30 issue. Calling attention to all of the factors, including losses and the declining stock market, that have made it a year of tribulation for the insurers, the author, Rodger W. Bridwell, finds some reasons for optimism.

The present situation, he states, tends to obscure the growth characteristics of the fire and casualty business. Since 1940 gains in premiums have outpaced the increase in gross national product by 50% while stockholders' equity has gone up 200%. There is likely to be, the article states, improvement in underwriting results in 1958 and 1959.

NAIA To Try Ad Start At $1,250,000 April 1

The executive committee of National Assn. of Insurance Agents has voted to go ahead with the national advertising campaign when the fund, originally projected to be $2 million, reaches $1,250,000. State associations have been asked to indicate whether they approve the start of the campaign at the lower figure, and some have indicated their approval. NAIA regards it as important to start the campaign by April 1.

Each NAIA member is being polled for approval of starting on the reduced budget. Those voting no will have their donations returned.

At the lower budget, the only modification of the program would be elimination of the use of color in the magazine advertising. The objective still would be the full $2 million, which is expected eventually to be raised. The fund now is reported to stand at more than $900,000.

Fire Losses Rise In U. S., Canada

Fire losses in the U. S. rose in 1957 to a record high of $1,275,000,000 compared with $1,231,576,000 in 1956, according to preliminary estimates of National Fire Protection Assn. In Canada, 1957 losses were $135 million, compared with $129,780,000 in 1956.

Of the 1957 U. S. physical damage loss, $1,050,000,000 was to buildings and contents, and $225 million was to aircraft, motor vehicles, forest and other non-building fires.

The largest physical damage loss of the year was that of a rubber reclaiming factory in Butler, N. J., which burned Feb. 26 for a loss of $12 million.

Fire deaths in the U. S. totaled 11,300, an increase of 700 over 1956 and 600 in Canada, compared with 601.

Louisville Agents Reelect Officers, Give Awards

Louisville Board of Insurance Agents at its annual meeting this week reelected Joseph D. Scholt president, Robert L. Wyatt vice-president, and R. W. Barnes Jr. executive secretary-treasurer.

At the luncheon for members and guests, the association's award for meritorious service in fire protection was given to Harold L. Foster, director of fire prevention control of the Louisville fire department. James W. Harris was given a silver julep cup for his work as chairman of the board's rules committee.

Heineke, Conklin & Schrader Moves

The Chicago insurance law firm of Heineke, Conklin & Schrader is functioning from its new offices on the 35th floor of the Field building, 135 South LaSalle street. The firm has been in the Bankers building for several years, after having its beginning in the Field building.

Gorman Named Law Firm Partner

The Chicago insurance law firm of Clausen, Hirsh & Miller has been changed to Clausen, Hirsh, Miller & Gorman with the addition of the name of John P. Gorman, who has been with the firm since 1937. Donald N. Clausen and Herbert W. Hirsh have been associated since 1927 and Norman A. Miller joined them in 1928.

Agents, Bureau To Review Commission Changes In Auto

The recently constituted conference committee of Connecticut Assn. of Insurance Agents will meet Jan. 13 with the conference committee of National Bureau of Casualty Underwriters to discuss a proposal of the auto assigned risk plan in that state to reduce commissions on assigned risks from 10 to 5%. The Connecticut group also will discuss the reduction of commissions on class 2 automobile liability business to 10%. (Travelers has reduced class 2 commissions in New York state to 10%.)

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On Jan. 14 representatives of agent and broker groups in New York will meet with the conference committee of the bureau to suggest a proposal by the assigned risk plan there to reduce commissions from 10 to 5%.

In the afternoon of Jan. 14 there is scheduled a meeting of the bureau conference committee with National Assn. of Casualty & Surety Agents.

In New Hampshire agents are studying the problem of finding a market for collision on logging trucks in the north country, particularly where the truck is financed. There is similar need for collision cover of private passenger cars for air force personnel in the Portsmouth area. Agents report companies are refusing to write these risks, and one agent suggested an assigned risk plan for auto collision. Presently some loggers are having to go to Canada for coverage.

Cravens, Dargan & Co. Promotes C. W. Allen

C. W. Allen Jr. has been appointed assistant general manager of Cravens, Dargan & Co. general agency of Houston to supervise the A & S, crop-hail, farm and ranch, publications and Mexican departments, as well as to conduct a research program. As vice-president of Western General, a life affiliate, he also superintends certain phases of that company.

C. W. Allen Jr.

Mr. Allen entered insurance in his father's local agency in Canadian, Tex., and later was employed as a special agent by Home of New York. He has been a special agent for Cravens, Dargan and manager of the San Antonio office. Since 1955 he has conducted research in the Houston office.

3 Veteran Employes Retire From Ind. Rating Bureau

Three members of the Indiana Rating Bureau have retired after putting in a total of 99 years with the insurance industry. They are Miss Naomi Merritt, 36 years in the audit division, Leland M. Merrill, 35 years, and Charles W. Craig, chief engineer, after 28 years with the bureau.

The three were honored at a luncheon given by H. J. Elbourn, bureau manager, at which all department heads attended.

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Report Reveals The Enormous Amount Of Legislation That Affects The Business

Compulsory automobile liability insurance bills, patterned for the most part either after the New York law or the so-called equal responsibility or misdemeanor proposals, were introduced in 31 states in 1957, according to the report of the law department of Assn. of Casualty & Surety Companies under Ray Murphy, general counsel, which has just been issued. Of the compulsory bills, only one, in North Carolina, was enacted. It is similar in many respects to the New York law. A striking feature of the North Carolina law is that it declares that it will become "null and void" May 15, 1961.

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Last year was a most prolific one for legislation affecting the casualty and surety business, according to Mr. Murphy's report. More than 20,000 bills were examined by the law department and, of these, the staff recorded and followed closely some 12,700 measures. As a result, member companies received 2,629 bill memoranda and 1,590 now-law memorandums with texts of the new laws.

All state legislatures met in regular session in 1957 except Kentucky, Mississippi and Virginia. In addition, 12 legislatures met specially. The Georgia and South Carolina legislatures as well as the Congress completed the first part of their biennial sessions, and all bills not finally disposed of in 1957 will be continued next year.

Unsatisfied judgment fund bills were introduced in 13 legislatures, but only one was enacted, in Maryland. The Maryland law, which will become fully effective June 1, 1959, follows the pattern of the New Jersey law.

Amendments to existing financial responsibility laws, enacted in 21 states, included increase in limits in California, Georgia, Indiana, Iowa and Pennsylvania; a provision that accident reports contain insurance information in Wisconsin; the addition of reciprocity provision in Florida, Nevada, Oklahoma and Vermont; a requirement of future proof in the event of conviction in Florida; and a New Hampshire amendment making uninsured motorists coverage mandatory in the standard automobile liability policy.

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Also, in 1957, the two states, Kansas and South Dakota, which had not previously enacted financial responsibility laws, finally did so, making a total of 47 states having FR laws. Massachusetts does not have one because it has had compulsory auto for 30 years.

In the area of litigation, the report cites several cases dealing with disclosure of policy limits. A circuit court in Florida issued an order requiring the defendant to disclose his policy limits, Owen vs Brooks. But on appeal the Florida supreme court reversed the lower court and refused to permit the disclosure of policy limits. In a decision involving the same point, however, the Illinois supreme court, in Terry vs Judge Harry M. Fisher, sustained an order requiring disclosure of policy limits, and a rehearing has been requested by the association, according to Mr. Murphy, and by American Mutual Insurance Alliance and National Assn. of Independent Insurers.

Several test cases regarding taxation were brought by the association and other groups. In one of these, the association, along with Life Insurance Assn. of America and National Board, invalidated a "very onerous" additional license tax imposed by West Virginia. In another, the association and National Board sued to invalidate the Delaware police and volunteer firemen's pension taxes imposed by the 1955 legislature.

Some departures in this year's report may be noted. A&S legislation is no longer included. The new Health Insurance Assn. of America has assumed, and Assn. of Casualty & Surety Companies has relinquished responsibility with respect to legislation in this field. Two new headings—claims, covering important legislative categories previously covered under miscellaneous, and nuclear energy, representing an area of legislation in which interest is steadily growing, have been added to the report.

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Another new development concerns taxation. For a number of years, the association has issued regularly to its members a tax manual containing full information, in digest form, of all taxes applicable to members. A similar publication has been issued to its members by National Board. There is now a joint taxation manual in preparation which combines all the data applicable to both casualty and fire companies, which will be issued shortly under the joint sponsorship of the association and National Board. It is expected to be more convenient for members of both organizations engaged in multiple line underwriting. A single mailing list will be established for its distribution.

Among the various categories touched on by the report, it noted that legislation specifically enabling the writing of disability and death benefits coverage with auto liability policies was enacted in Illinois, Kansas—including uninsured motorist cover—Minnesota, Nebraska and Utah. In California, a bill was passed redefining liability insurance to include uninsured motorist coverage.

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Bills to assess penalties or attorneys' fees for failure to pay claims promptly were enacted in Arkansas and Kansas.

Maximum recovery in wrongful death actions was increased in Colorado to $25,000, Illinois to $30,000, Maine to $20,000, Minnesota to $25,000, and New Hampshire to $25,000. The $15,000 ceiling was removed by Indiana. In Arkansas, revision of the wrongful death statute includes a provision that damages for loss of services and companionship, formerly available only to a husband, shall also be available to a wife.

Legislation to establish the comparative negligence rule in lieu of contributory negligence failed in 26 jurisdictions. Similar measures are pending in New Jersey and South Carolina; and in Arkansas, a bill was passed modifying the comparative negligence statute.

The uniform contribution among tortfeasors act was enacted in North Dakota but failed in four other states. Similar legislation was passed in California and Florida.

As usual, about one third of bill memorandums and about one half the

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Reciprocals Planning Merger, Have Formed Stock Fire Insurer

Commerce & Industry, a new stock fire insurer, has been organized in New York by Associated Reciprocal Exchanges. A wholly owned subsidiary of the exchanges, the company has an initial capital of $750,000, surplus of $750,000, and reserves of $500,000. Schuyler Merritt II, chairman and president of Reciprocal Managers, attorney-in-fact and manager of Associated Reciprocal Exchanges, is president of Commerce & Industry. The New York department granted the new insurer a license effective Dec. 24.

A merger of the six Associated Reciprocal Exchanges and Underwriters Exchange of Kansas City, now separately managed by Reciprocal Managers of Missouri, into one reciprocal, American Reciprocal Insurers, is in process of completion, subject to the approval of policyholders at the annual meeting Feb. 4.

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Mr. Merritt stated in a letter to policyholders that the merger will provide a means for improving and simplifying the operations of the exchanges and to reduce costs.

Commerce & Industry will confine its writing to preferred risks in the fire and related fields which do not qualify for underwriting by the exchanges because of their stricter requirements, he said.

The management and the members of the exchanges, he stated, have for some time felt the need of having a stock company within their group of preferred risk fire underwriters to build up reinsurance premiums and business from brokers. Commerce & Industry will provide a means of accepting desirable reinsurance from other insurers, an increasing amount of which is being offered in this market, Mr. Merritt said, and business from brokers.

In addition to Mr. Merritt, the officers of Commerce & Industry are those of Reciprocal Managers—Vincent E. Donohue, vice-president; Valentine W. Gerrish, vice-president and secretary; Kenneth R. B. Smith, treasurer; and Robert E. Adams, J. Milton Wright, Rudolf S. Christiansen, Robert T. Norton, John C. Morrison and Elmer N. Dickinson Jr., vice-presidents.

Organized in 1881, ARE is affiliated with Suffolk County Mutual, the oldest mutual fire insurer in New York, founded in 1836. With the formation of Commerce & Industry, the exchanges have underwriting units in the stock, reciprocal and mutual fields.

Rules Kansas Schools May Insure In Reciprocals

TOPEKA—Attorney-general Anderson has given the opinion that a Kansas school board may buy fire insurance in a non-assessable reciprocal.

The opinion, which grew out of a request by the Shawnee Mission district high school of Merriam, points out that prior to 1955 reciprocals could not issue non-assessable contracts in Kansas and consequently that insurance in these exchanges would violate several statutes applicable to school districts. The insurance laws were amended in 1955 to authorize non-assessable contracts, if the reciprocal has a surplus equal to the capital and surplus required of a domestic stock company writing the same kind of business, so the basis of previous opinions no longer exists, Mr. Anderson said.

Holds Parts Of Reinsurance Contract Unenforceable As Against Public Policy

Because of the reinsurance interest, the decision Justice Benvenga in the matter of Preferred Accident and New Amsterdam Casualty is presented below. In the case Alfred C. Bennett represented the New York superintendent and Watters & Donovan New Amsterdam Casualty. The opinion, handed down some time ago, has just been upheld by the court of appeals, the state's highest tribunal.

The opinion, in substance, is:

This is a motion by the superintendent of insurance, as liquidator of Preferred Accident, for an order directing New Amsterdam Casualty to deliver and turn over to the superintendent salvage funds in the possession of New Amsterdam alleged to belong to Preferred.

It appears that in March, 1950, Perferred and New Amsterdam entered into a contract of reinsurance, whereby Preferred agreed to reinsure New Amsterdam on various risks which New Amsterdam had assumed in the course of its business.

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In April, 1951, the order of liquidation of Preferred was entered. It is not disputed that, before the entry of this order, New Amsterdam paid losses and expenses on risks which had been reinsured in part by Preferred, and that Preferred paid New Amsterdam its proportionate share of such losses and expenses. Nor is it disputed that after the entry of the liquidation order, New Amsterdam collected salvage with respect to these losses, and that Preferred's share of such salvage amounts to $6,999.

In the liquidation proceeding, New Amsterdam filed proofs of loss which have been allowed as general claims in the total sum of $1,159. These claims represent the proportionate share of unearned premiums due New Amsterdam, together with its proportionate share of a loss paid by New Amsterdam on risks as to which Preferred, prior to liquidation, had not returned its unearned premiums or paid its proportionate share of loss.

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It is to be noted that the salvage fund was not collected on risks concerning which claims were allowed to New Amsterdam, and that the superintendent of insurance is seeking only the conceded share of salvage funds collected by New Amsterdam in cases where, prior to liquidation, Preferred had actually paid its share of the loss to New Amsterdam.

The superintendent contends that the salvage fund constitutes a "trust fund" in the hands of New Amsterdam for the benefit of Preferred's creditors, citing Pink vs American Surety (283 N.Y., 290) and Matter of People (Consolidated Ind. & Inds. Co.) (287 N.Y.,34) in support of his contention. New Amsterdam contends that the general claims allowed in the liquidation proceeding in the sum of $1,159 should be offset against the sum of $6,999, Preferred's admitted share of the salvage fund, by virtue of paragraphs 13 and 19 of the reinsurance contract between the parties. These paragraphs, so far as material, read as follows:

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"Every debt due by one party, whether arising out of reinsurance transactions or otherwise, shall be collateral security for every debt due from the other party; and, at the request of either party, all such debts shall be balanced, at any time or times and from time to time, against one another in accordance with the principles of set-off, counterclaim and recoupment" (paragraph 19).

"The reinsured is hereby authorized to appropriate at any time, all or any part of the share of the reinsurer in all such collateral security, as well as the proceeds thereof, . . . and of all such salvage . . . and apply the same in payment or on account of any indebtedness or of any balance of indebtedness due from reinsurer to the reinsured, whether arising out of reinsurance transactions or otherwise" (paragraph 13).

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The Pink and Consolidated cases, upon which the superintendent relies, involved the right of set-off under section 538 (formerly section 420) of the insurance law. This section is contained in article 16, entitled "rehabilitation, liquidation, conservation and dissolution of insurers." So far as material, the section provides: "In all cases of mutual debts or mutual credits between the insurer and another person in connection with any action or proceeding under this article, such credits and debts shall be

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Hoag General Re Assistant Treasurer

George P. Hoag, who joined General Re in 1936 as a statistical clerk, has been appointed an assistant treasurer. His most recent work has been supervision of preparation of experience figures and rating analyses in connection with the General Re's accounts.

Beuermann Elected Head Of Washington CPCU

H. T. Beuermann of H. L. Rust Co. agency has been elected president of District of Columbia chapter of CPCU. Other officers are Lowell Seim, Howard & Hoffman agency, vice-president; Walter D. Neighbors, Ralph W. Lee & Co. agency, secretary, and Asher Kahn, Travelers, treasurer.

Vigilant Licensed In Venezuela

Vigilant of Chubb & Son group has been admitted to Venezuela. Activities of the company in Venezuela will be managed by La Seguridad, a leading insurer of that country, with home offices in Caracas.

Name Davis To N.Y. Metropolitan Office Of Hartford Fire

Hartford Fire has appointed Harold C. Davis assistant manager of the metropolitan New York office.

Mr. Davis is executive vice-president of New York Underwriters, a Hartford affiliate, and will continue in that position. He joined New York Underwriters in 1923 after serving with Underwriter's Bureau of the Middle & Southern States. From 1925 until his election as an assistant secretary of New York Underwriters in 1935, he was a special agent in New York, New Jersey, Ohio, and later Massachusetts and Rhode Island. He was elected vice-president of New York Underwriters in 1949 and executive vice-president in 1953.

Hanover Fire Changes To Hanover Ins. Co.

Hanover Fire has changed its name to Hanover Ins. Co. The change in title will more properly indicate the general character of the company's activities since it now is engaged in writing casualty and surety as well as fire.

Whitford Opens Agency in Denver

Frank M. Whitford, former manager of National Union in Nebraska and the Dakotas, has resigned to open an agency in Denver. He began in the insurance field in 1938 with American in Denver. After the war he was assistant secretary of Great American in Chicago. He went with National Union in 1953. He is a brother of George V. Whitford, vice-president of Reliance group.

The annual banquet of **Seattle Underwriters Assn.** will be held Jan. 17 at the College Club, with a reception to precede the dinner.

Two Hartford Accident Assistant Managers

Hartford Accident has appointed assistant branch managers at Indianapolis and Cincinnati. Raymond I. Thomas, who has been superintendent of fidelity and surety at Indianapolis, advances to assistant manager there. John W. O'Connor becomes assistant manager at Cincinnati, moving up from superintendent of agencies.

Mr. Thomas entered insurance in 1925 in Boston and joined Hartford Accident in 1939 at Philadelphia. In 1946 he became superintendent of fidelity and surety at Indianapolis. He is former president of Surety Assn. of Indianapolis.

Mr. O'Connor joined the company in the Cincinnati bond department in 1948. Subsequently he became a bond special agent traveling out of Cincinnati, and for six years was an all lines special agent in east Tennessee with headquarters at Knoxville. In 1955 he returned to Cincinnati as superintendent of agencies. He is vice-president of Ohio Assn. of Casualty & Surety Managers and secretary-treasurer of the Assn. of Casualty & Surety Managers of Cincinnati.

Agents Protest Commission Cut On Class 2 In Conn.

Norwalk (Conn.) Assn. of Insurance Agents recently held a protest meeting on the reduction of rates and commissions (the commissions from 22 and 25 to 15%) on class 2 automobile business. The group sent a resolution to the state association expressing unanimous disapproval of the manner in which companies of National Bureau of Casualty Underwriters apparently acceded to the demands of the Connecticut department for a reduction in rates on class 2 automobile business by attempting to pass along the major part of the reduction to producers in a commission cut.

The resolution said that if acquisition costs have become the predominating factor in determining rate structures, then such reductions as are reflected should be shared equally by companies and producers—without placing the major burden of the reduction on the producer.

The Norwalk group suggested that the state association protest to NAIA and company organizations against such a practice.

The agents said they feel the companies have protected their own interest by an arbitrary and unilateral action which amounts to "selling out" their agents on the commission question without agreement of their producers and without solving the problem of fair distribution of earnings based on territorial rate levels or differentials.

Some agents are notifying their companies that they are not going to negotiate an amendment to their agency contracts to reduce class 2 commissions. One such letter points out that Connecticut department spokesmen indicate they did not attempt to reduce commissions and have no jurisdiction over them. However, the department did say it does not think a 40% acquisition cost factor, applicable to class 1 auto business, is warranted on class 2 business where the rates are four times as high.

Standard Accident Names Sullivan to Recording Post

Standard Accident and Planet have appointed George L. Sullivan as assistant manager of the recording department. He started with Standard Accident in 1937 in the entry department, and after military service, returned to the company in 1946 and became supervisor of the tabulating section in 1947.

Upstate N.Y. Agents Elect

John J. Holahan was elected president of Monroe County Insurance Agents Assn. at the annual luncheon in Rochester, N. Y. He succeeds Edwin V. Foster. Hartley G. White was named vice-president and Bertram R. Hershberg treasurer. Louis Hawes was reappointed executive secretary. New directors are Charles H. Kendall, Lester H. Leonard, Rolla D. Patton Jr., and Robert F. Mabry.

Pa. Officials Ask End To Commission Splitting On State Building Coverage

Pennsylvania's secretary of internal affairs, Miss Genevieve Blatt, has started a campaign to end the long-time political practice of splitting commissions on the $687,835 in premiums paid annually by the state for fire and other coverage on public buildings.

A member of the board of the general state authority, which contracts for the coverages, Miss Blatt wants premiums paid through the state department of property and supplies and the insurance handled by the state's own broker of record. She also suggests that all of the authority's fire policies be written on a $10,000 deductible basis. This practice would result in saving $75,000 in premiums a year, she said.

Miss Blatt told a recent meeting of the authority board, which is composed of six Democrats and six Republicans, that though she has served on its insurance committee, she has been unable to find out who receives the commissions on the coverage authorized by the authority. A self-financing construction agency, the authority issued revenue bonds to finance building projects, largely for the state. Then, as owner of the buildings, it collects rent from occupants until the bonds are amortized. The buildings then become public property.

Columbus Mutual Club Elects R. C. Trautman

Mutual Insurance Club of Columbus will be headed in 1958 by R. C. Trautman, Grange Mutual Casualty. Mr. Trautman is widely known among insurance men as a former chief of the rating section of the Ohio insurance department.

The new vice-president is George Booth, Nationwide Mutual, and Paul Barrett, Motorists Mutual, takes over as secretary.

Wis. County Assn. Elects

Jefferson County (Wis.) Insurance Underwriters Assn. has elected Donald Knick, Watertown, president; Christie Coogan, Watertown, vice-president; Arthur R. Setz, Waterloo, secretary, and S. O. Donkle, Fort Atkinson, treasurer. Lester Haas, Johnson Creek; Ralph Seward, Lake Mills; and Henry Scholl, Watertown, were named directors.

Six-Week Agents' Course Starts Jan. 27 At N. Y. Insurance Society School

Insurance Society of New York will offer a six weeks course of study for agents at its school beginning Jan. 27. Classes will meet Monday through Friday, 8 a.m. to 5 p.m., at 225 Broadway.

The program utilizes the multiple line approach to teaching insurance. Subjects to be covered include casualty, bonding, fire and marine, agency management, use of manuals, risk analysis and surveys, sales techniques, and advertising. Personal lines will be covered during the first three weeks, commercial lines during the latter three.

Davis T. Ratcliffe and Dominic O'Keefe of the school faculty will conduct the casualty and fire sessions. Special instructors will be brought in from company, agency, and brokerage offices, according to A. Leslie Leonard, assistant dean of the school.

Daynard, Van Thunen Form Adusting Partnership

Harold S. Daynard and Warren F. Van Thunen, independent adjusters of New York City, have formed a partnership under the firm name of Daynard & Van Thunen Co. Their services will continue as usual, with increased facilities, in New York, New Jersey and Connecticut.

Mr. Daynard has been in the adjusting field for 16 years. He started his insurance career as inland marine claims superintendent of Jones & Whitlock. In 1947 he became an independent, originally specializing in inland marine and fire claims. He is a former president of Inland Marine Claims Assn. of New York, and author of the book *Paths and By-Paths in Inland Marine Insurance*, published in 1949.

Mr. Van Thunen began in the claim department of Reliance. Later he was an adjuster for William Blundy. He has been an independent adjuster associated with Mr. Daynard for the past five years.

The firm is an authorized multiple-line adjusting concern.

Opens Office At Phoenix

Marsh & McLennan-Cosgrove & Co. have expanded operations and moved to new offices in Phoenix under James W. Brown, vice-president. Mr. Brown, who has been with the organization for 31 years, previously was at Chicago. The Phoenix office is at 411 North Central avenue.

Mass. Compulsory Auto Insurers Writing At Honest Rates, Low Overhead, Report Shows

The special commission of the Massachusetts legislature appointed to investigate compulsory auto operations in that state has gathered a considerable amount of data. It has been holding hearings in Boston.

Recently, the commission heard Joseph Linder, consulting actuary, of Wolfe, Corcoran & Linder, New York, retained by the commission to study the operations of insurers writing compulsory auto in Massachusetts, Massachusetts Automobile Rating Bureau, and the state insurance department. Mr. Linder prepared four memorandums, which dealt with the rating bureau, valuation of incurred losses, comparison of car rates in Massachusetts, New Jersey, New York, and Pennsylvania, and allocation of expenses to the compulsory and other auto liability lines.

Insurers writing compulsory auto in Massachusetts have been given a clean bill of health by Mr. Linder, who told the commission that the companies are providing Massachusetts drivers with auto coverage at honest rates, and at a lower overhead cost than charged for similar insurance anywhere else in the country.

He said he found no evidence that the companies have been padding loss figures, reserves or expenses in order to boost compulsory rates.

Much of the loss data used in compulsory auto rate-making is for incurred losses not yet paid, he said. Quoting from his memorandum on valuation of incurred losses, he said that over a 10-year period, 1947-1956, there was "no evidence of marked overstatement or understatement of incurred losses" by the companies. Their present method of reporting is fair and reasonable, he said. He recommended, however, that the development factor used to correct loss reserve figures, based on the actual results of earlier reserve estimates, should be taken from an average of three years, rather than from one.

Asked if the rating bureau's work should be shifted to the insurance department, he said it could be done, but nothing would be gained, since the bureau is at present for all practical purposes an arm of the department. The bureau compiles the loss figures the commissioner uses in compulsory auto rate-making. He said its control of the data is "adequate for the purpose of insuring its completeness." The bureau does not fool with the figures. Assuming companies submit accurate reports, bureau compilations may be relied upon. Its total expense "reflects economical operation." However the matter of appropriate allocation of this expense between compulsory auto and other lines is still open.

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Mr. Linder commented upon some of the proposals put forth which would change compulsory auto operations. He said a merit or demerit system for rating will not work. This plan has been tried in Massachusetts before, but was junked before any tangible results could be achieved. A deductible provision in compulsory auto won't work either. Because of the low expense allowance permitted on compulsory there is no room for cut rates—in writing compulsory.

Property damage and presently optional BI coverages should be made compulsory, and assigned risks with bad accident or violation records should pay higher premiums than other auto owners.

He also told the commission that although the idea of insuring the driver rather than the vehicle is actuarially sound, there are legal obstacles in the way, the foremost being "what to do with the residual ownership liability."

Mr. Linder said that claim expense should be included in the pure premium—or average claim cost per car.

(CONTINUED ON PAGE 17)

Va. Fidelity-Surety Rate Case Is Decided

State corporation commission of Virginia has entered an order closing its review of Surety Assn. of America rates. The order provides that the manuals of classifications, rules and rates, rating plans, and modifications thereof with respect to any kind of suretyship, including fidelity, surety, and guaranty bonds and undertakings, blanket bonds, and forgery insurance, and any subdivision thereof that are now filed by Surety Assn. and in effect in Virginia be approved for use in Virginia until the further order of the commission.

However, increases in rates asked by the association are denied until the further order of the commission. The proceeding is dropped from the commission docket and closed.

WC Rate Bureau In N. Y. To Process Electronically

New York Compensation Insurance Rating Board has issued new experience rating forms and rate notices which will be put into use starting with February, 1958, ratings. The board also will use electronic data processing machines to process ratings to the greatest extent possible.

Sweet Promoted by Aetna Fire

Aetna Fire has appointed Robert R. Sweet assistant manager of the home office compensation and liability department. He joined the group as a compensation and liability underwriter at New York in 1950, transferred to Hartford in that position in 1955, and was named chief underwriter there last July.

F. & D. And American Bonding Are Merged

Arrangements for consolidating operations of Fidelity & Deposit with those of its subsidiary, American Bonding, were completed late last month. Merger of the companies, first announced Aug. 14, 1957, became effective Dec. 31. Fidelity & Deposit has assumed all the obligations of American Bonding and the latter has been retired.

American Glass Opens Branch Office At Detroit


Leonard Gasior

American Glass Co. of Chicago has opened an office at Detroit at 3156 East Woodbridge, with Leonard Gasior as manager. Beryl Provus, vice-president of American Glass in charge of insurance sales, announced the expansion. American Glass has been in the insurance replacement field in Chicago for 40 years.

Bryan Advanced By GAB

General Adjustment Bureau has appointed Robert W. Bryan casualty field examiner in western Pennsylvania and upper New York. He assumes duties formerly performed by E. C. Park, senior casualty adjuster at DuBois, Pa., and will make his headquarters in Erie, Pa. Mr. Bryan joined GAB in 1952. He previously was a casualty adjuster of U.S.F.&G.

Write Fire, EC On First Civil Nuclear Power Station, In Pa.

North America and 11 other insurers —Indemnity of North America, National Union, St. Paul F.&M., American Surety, Centennial, Federal, Fireman's Fund, Great American, Pacific of New York, and London Lloyds—have written the fire and extended coverage on the first civilian nuclear power station, the Duquesne Light Co. plant at Shippingport, Pa.

The coverage is a manuscript form developed to meet the needs of this insured by the insurers and the Lannan & Co. agency at Pittsburgh. The form is based upon Duquesne Light Co.'s agreement with Atomic Energy Commission. The fire and EC policy does not cover loss and damage to station buildings and contents arising from nuclear materials.

The risk was bound the same day a chain reaction was started in the atomic furnace of the station, which is fueled with 12 tons of natural uranium U238 and 165 pounds of uranium U235. A series of safety and other tests will be carried on at the reactor before it goes into the production of commercial electricity. When it is put into full operation the station will supply electric power to some 450,000 residential, industrial and commercial customers in Allegheny and Beaver counties, Pa.

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Kings County (N. Y.) Brokers Assn., newly organized in Brooklyn, discussed means of averting commission cuts at the January meeting.

Research Plays Big Part In Discovering A&S Needs: Williams

PHILADELPHIA—Much research material in health insurance has been assembled and more is being collected, according to James R. Williams, vice-president of Health Insurance Institute, who spoke at the annual meeting of American Assn. of University Teachers of Insurance. He took part in a panel which told about research information available through various insurance company associations.

Great progress has been made in the A&S field in broadening and extending the benefit pattern and improving the services, Mr. Williams said. The nature of A&S calls for a continuing study of the broad field of medical care financing. Through Health Insurance Assn. of America and Institute of Life Insurance, studies are being made of people's personal medical bills, public attitudes toward health insurance, the evolution going on in medical care, needs of various population and age groups and numerous other related subjects.

In the last 20 years, health insurance and its relationship to financing medical care has become an integral part of the U.S. economic, social and political life. HII hopes to publish a fact book on A&S next summer, he said.

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San Antonio Exchange Names Sacks President

Howard Sacks was elected president of San Antonio Insurance Exchange at the annual meeting. Robert D. Sargent is vice-president, and F. F. Ludolph is secretary-treasurer.

T. D. Bailey

Howard Sacks

Past presidents of the exchange were given special recognition. There are 22 living past presidents, and 14 of them were present.

Travis Bailey is the outgoing president.

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Elect Walsh To Head Portland Surety Assn.

S. R. Walsh, Aetna Casualty, has been elected president of Portland, (Ore.) Surety Assn., succeeding Robert Cummings, Fidelity & Casualty. Also elected were George Mayes, U. S. F. & G., vice-president, and Stanley P. Duyck, American, secretary-treasurer.

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Underwriters Laboratories To Build New Testing Facilities

Underwriters Laboratories Inc. has broken ground for a new $1.5 million building at its Northbrook testing station to house facilities for testing floor and ceiling construction materials as well as burning brand, flame spread and wind tests on roofing materials.

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Norcross & Leighton agency at Lowell, Mass., is celebrating its 50th anniversary. The agency recently moved into new offices. Howard H. Leighton is president and treasurer. Raymond A. Webb is vice-president.

Rules On Interesting Cancellation Case

Because the insurer had two policies on properties of a single insured, and because the agent of the insurer told insured he had nothing to worry about, South Carolina supreme court upheld a jury verdict in favor of insured, that the policy had not properly been cancelled. The case was that of Lundy vs Lititz Mutual, 9CCH (Fire & Casualty) 393.

Lundy purchased a fire policy on his dwelling for one year beginning Feb. 10, 1955, from A. B. White, the local agent of Lititz Mutual. Mr. White was a co-defendant in the present suit. The house was destroyed by fire Jan. 27, 1956. The insurer contended that the policy was cancelled on Aug. 5, 1955, and the unearned premium remitted to and accepted by insured. The trial resulted in a verdict for Lundy against Lititz Mutual alone for $2,500, the face amount of the policy. The insurer appealed.

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On Aug. 4, 1955, the insurer mailed a check for $12.69 to insured and on the check correctly identified the policy on the dwelling which was being cancelled. However, Lundy also carried with Lititz Mutual a fire policy on his store, written by the same agent. Enclosed in the envelope containing the check for $12.69 was a notice from Lititz Mutual that it was cancelling a policy of another number, the policy on the store.

Lundy called the agent shortly after getting the check, and after looking at the policies, the notice of cancellation and the check, the agent told insured "this is on the store, and they haven't sent you enough money back." Also, he said, "The house is all right; you ain't got nothing to worry about." He further stated that "You just keep that check for a while because they haven't sent you enough money back and until they do, if your store would get burned, they would have to pay you."

Lundy held the check until early December when he saw the agent and inquired about the matter again. The agent then told him that the insurance on the store had been cancelled and suggested that Lundy go ahead and cash the check. He then advised insured to "try to get somebody else to write you on the store."

Lundy then cashed the check. He had no further conversation with the agent until after the fire destroyed his dwelling. He was positive he had never received notice of the cancellation of the policy on his house, and there was no evidence that the company had asked him to return this policy.

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The testimony of the agent was considerably different. He denied telling insured the cancellation was on the store and not on the house.

The court accepted Lundy's version of what transpired. The court also ruled that the issues of whether the check was sufficient notice of cancellation in accord with the policy provisions on cancellation or cancellation by mutual consent, were properly submitted to the jury.

While notice of cancellation need not be in any particular form, the court commented, "it must be of such character as positively and unequivocally to indicate to insured that the company does not intend longer to be bound by the contract." It then ruled that the notation on the check cannot be said as a matter of law to constitute clear and unequivocal notice when there was enclosed with the check in the same envelope notice of cancellation of another policy. In giving notice by check accompanied by a formal notice of cancellation of the store policy, the company caused confusion and misled insured, especially when the local agent assured him that the cancellation was of the store policy. Evidently insured did not think his house policy was involved because he made no effort to obtain other insurance. Rather than insured failing to act as a person of ordinary prudence, the carelessness was on the part of the company in employing means better suited to conceal than to reveal its intent.

Neither was there cancellation by mutual consent, as a matter of law. While cashing the check tended strongly to show assent by insured to cancellation, there were circumstances here tending to overcome the inference of consent or waiver arising from the cashing of the check.

Paulling & James of Downington, S. C., appeared for Lititz Mutual.

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G. H. Schirmer Retiring

G. H. Schirmer, Illinois manager for General Casualty of Wisconsin since 1940, is retiring. This is in line with company policy. Mr. Schirmer, a local agent in East St. Louis from 1921 through 1928, was named vice-president and general manager of old Mid-West Automobile Underwriters of Freeport, Ill., in 1929, holding that post until 1939, when the business of Mid-West was insured by General. At that time Mr. Schirmer was appointed Illinois manager.

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The **H. I. Gooch agency** of Duluth has consolidated with Insurance Service Agency and Ernest Gooch has joined Insurance Service Agency.

Rev. Morris Sells His Stock And Bids Farewell To Insurance

The Rev. Sam Morris has disassociated himself from the insurance business with the sale of his stock in Abstainers National of Oklahoma City. Previously he was president of Preferred Risk Mutual of Des Moines.

A Southern Baptist minister and temperance lecturer, Rev. Morris received national attention in 1956 when he charged that the operating officers of Preferred Risk Mutual were hiring persons who drank alcoholic beverages when the announced intention of the company was to insure at merit rates those who were teetotalers. Following a prolonged and bitter controversy within the official family, including a sitdown strike by Rev. Morris in the offices of the Iowa insurance department, Rev. Morris resigned from Preferred Risk in the fall of 1956 and formed Abstainers National. This company, he announced, would insure only total abstainers and would require all "shareholders, bondholders, directors, officers, agents and employes" to be non-drinkers as well.

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Rev. Morris said insurance "never has been my first love. I found myself heavily hampered in my temperance activities. I found a buyer. I didn't discuss the total abstainer angle at all. What they do with the company is their affair."

He said he owned about 45% of the stock of Abstainers National, and revealed the buyer is Stanley Bossart of Oklahoma City. It is reported the company's name will be changed to National Savings Ins. Corp.

Legislative Program Of N. Y. State Agents Outlined

New York State Assn. of Insurance Agents has outlined the program it will submit to the 1958 legislature in a letter sent to legislators over the signature of Robert B. Douglass, Potsdam, chairman of the legislative committee.

The program ranges from a recommendation for stricter licensing laws and uniform penalties for motor vehicle violations to a proposal that a mandatory uninsured motorist endorsement law rather than an unsatisfied judgment fund law be enacted to plug existing loopholes in the state compulsory automobile liability insurance law. Passage of a mandatory UM law would emulate action taken by the New Hampshire legislature last year when it chose that remedy to the uninsured motorist problem rather than a compulsory auto proposal.

Also included are proposals concerning the workmen's compensation aggregate trust fund, free insurance, unearned premium reserves of companies in liquidation, fictitious groups, loopholes in the state's agency licensing law, unlicensed automobile dealer competition in the automobile insurance field and state fund solicitation.

Adams, Cal. Manager Of Great American, Retires

Charles C. Adams, manager at San Diego for Great American, is retiring after 44 years with the company. Taking over direction of the office is J. C. Wickler, agency superintendent at Los Angeles.

Skelton Returns To Law Practice

John A. Skelton, general counsel of the Pennsylvania department since 1939, has resigned to resume private law practice, specializing in insurance.

Plan Agenda For Fire Meeting Of Mutual Casualty Companies

Conference of Mutual Casualty Companies will hold its fire conference Feb. 6-7 at Chicago. The conference president is Joseph P. Gibson Jr. of American Mutual Reinsurance, and Earl L. Cooper, Indiana Farmers Mutual, is in charge of the program.

The meeting will open with a talk by John S. Child of Harleysville Mutual Casualty on integrating the work flow of fire with casualty business after underwriting. A four-man panel will take up integration versus segregation of fire and casualty claims with C. H. Cox, Celina Mutual, and Fred Cunningham of Shelby Mutual for integration, and F. M. Du Bois, Employers Mutual Casualty of Des Moines, and Ray Fuson, Farm Bureau Mutual of Indiana, against.

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Normam L. Trebilcock, Badger Mutual, will open the program that afternoon with a talk on inspections, and E. D. Sirois, Mutual Fire Insurance Assn. of New England, will conclude the day's meeting with a discussion of the outlook for deductibles.

The final session Friday morning will open with talks on how field men can be used to improve underwriting results, by Robert E. Evans, Indiana Farmers Mutual, and Robert B. Taylor of Mill Owners Mutual of Des Moines. William H. Rodda, manager of Transportation Insurance Rating Bureau, will give an address on "The 1958 Look in Package Insurance."

Randall Retires, Two Named By Birmingham F.&C.

Birmingham Fire & Casualty has appointed two new officers, and George H. Randall, secretary and treasurer, has retired. He had been with the company since it was founded as the Birmingham Fire in 1925.

To fill the vacancies caused by Mr. Randall's retirement, Claude D. Harrell, vice-president, has been elected secretary and Victor E. Johnson, comptroller, has been elected treasurer. Both will retain their former titles and duties.

Mr. Randall was honored at a luncheon attended by company officials and close friends. He was presented with a gold watch and plaque. He has been named associate editor of the Shades Valley *Sun*, Alabama's largest weekly newspaper.

Mr. Harrell has been with Birmingham F.&C. since 1955. Previously he was with Travelers for more than 20 years.

Mr. Johnson has been with the company for 20 years. He started in the accounting department in 1928.

Security-Conn. Advances Janousek, Hupp Retires

Security of New Haven has named Emil Janousek manager in Kansas and Missouri. He has been associate manager of the territory with J. C. Hupp, who has retired.

Mr. Hupp was with Security 21 years, first as state agent in Missouri and then as associate manager. Previous to joining the companies in 1936, he was for 12 years Missouri special agent of National Fire. He entered insurance as a local agent in Butler, Mo.

E. M. Ludwig Promoted

American Casualty has promoted Edward M. Ludwig to production manager of the central Pennsylvania department. He joined the company in 1956 at Reading. More recently he has been a field representative in eastern Pennsylvania.

Toale Tells How To Perpetuate Agency

Agency perpetuation was discussed by Eugene A. Toale, associate manager of the New York metropolitan department of Home, at a meeting of Nassau County (N.Y.) Assn. of Insurance Agents.

Agency perpetuation is of vital importance to any agency, he said, because of the need of income to the agent after he is too old to work, an income for his family in event of his death, and the obligation owed by the agency to the clients who have come to depend on its services.

The agent giving serious thought to the perpetuation of his agency, Mr. Toale said, should approach the move by first asking himself why his agency should be continued. Only the agent knows the answer, and only he can provide the basic factors which could apply to any concentrated effort to perpetuate his agency, he said.

The steps to be taken naturally hinge on the type of agency involved. The steps to be taken by a sole proprietor, for example, would not be effective, perhaps, in the perpetuation of a partnership or a corporate agency.

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Perpetuation of the sole proprietorship agency is the most difficult because the agency undoubtedly is built upon one individual and the sudden withdrawal of this person from active participation results in chaotic conditions.

The sole proprietor can will the agency to a son or other relative. It has been clearly established that there is a distinct value to the expirations owned by the agency and, therefore, the agency is without question a fit subject for such action. However, he said, the agent must consider whether or not the person to whom the agency is to be willed is capable of continuing its operation or possesses sufficient interest to become capable within a short time.

The agent may sell the agency to his employes, or for that matter may sell it to anyone when he feels the need of retirement. Here again, he said, the person or persons who will assume the operation of the agency must be tested and examined by the agent himself to determine whether or not such a step is going to accomplish his ultimate purpose.

When ready to retire, the agent may simply allow the business to continue under the direction of heirs or other persons. Again, the competency of those continuing the agency is a vital item.

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Finally, the agent can liquidate the agency. But liquidation, he said, while it might provide a sufficient income to satisfy the agent or his family, accomplishes nothing for the clients who have been served by the agency through the years.

These are the possibilities available to the sole proprietor concerned with the perpetuation of his agency. Each of these steps has serious drawbacks. However, most of the disadvantages can be dissolved if the individual proprietor considers the end desired and acts in that direction while he is still vigorous and capable of correcting any judgment error.

Legally, a partnership is dissolved by the death of one partner. Technically, an agency faced with this problem would have to liquidate and use proceeds to pay off the deceased partner's interest. The heirs of the deceased partner might be, and very often are, entirely uncooperative and interested only in getting the largest possible amount from this procedure. In the meantime, the ordinary business of the agency is jeopardized. Although the legal dissolution is clearly established, Mr. Toale said, Internal Revenue Service in many instances has ruled that the taxable year may continue beyond the death of a partner. Thus, the further legal entanglement of tax problems also comes into play.

This rather dismal picture can be sharply improved if the partners consider perpetuation of the agency in advance of such an unfortunate happening and agree upon the procedure to be followed.

This requires that the partners sit down and agree on the value of the agency and sign a buy and sell agreement. This agreement stipulates that in the event of one partner's death, the other partner will pay to the heirs of the deceased an agreed amount in an agreed manner. This agreement requires the consent of all partners and a stipulation should be made in the agreement that it is binding upon the heirs of each partner.

This method, however, he said, is not the complete answer. There have been unfortunate situations in spite of buy and sell agreements. For example, a young man may be in an agency on a partnership basis with such an agreement in effect. The sudden death of his partner places him in the position of owing to his former associate's heirs a specified amount of dollars. He may not have such an amount available, nor can he raise the required money. Mr. Toale said that the solution to such a problem as this can be found in the proper use of partnership life insurance.

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Agency partners giving any serious thought to perpetuating the agency should discuss the possibilities of this solution, he said.

In essence, the life insurance approach is to set up a policy which will agree, upon the death of one of the partners, to pay to his indicated beneficiary a specific amount.

Such amount should, of course, correspond with the purchase price predetermined by the partners.

The fact that an agency is incorporated does not automatically mean that it is of tremendous size. Many corporate agencies are closely held and do not involve in any way a mass of stockholders, or the possibility of proxy wars. On the death of a principal stockholder it is entirely possible that the other stockholders, who would ordinarily be heirs anyway, take over the management without any serious legal complications.

However, one basic fact must be faced in perpetuating a corporate agency. That is, he said, a sudden switch in management may destroy rather rapidly many years of hard work by the original agent. As with sole proprietorship, the problem of providing capable successors also is concerned in perpetuating the corporate agency.

To continue the corporate agency, use can also be made of buy and sell agreements between corporate principals who agree to buy or sell the agency in the event of the death or retirement of the principal stockholders.

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Mr. Toale said the real problem in agency continuation is the one which faces the agency today—manpower. The successor to the agent is the real key to continued uninterrupted service. It requires great care and careful consideration. The most likely candidate is a son or relative because of the similarity of names and because of the possibility of a sincere personal interest. However, the agent is certainly not bound by such a choice and may reach out into the general labor market to select someone to continue the operations.

Mr. Toale recommended that agents concerned with the perpetuation of their agencies consult two publications —"Insurance Agency Ownership," published by National Assn. of Insurance agents, and "Methods of Agency Continuation" by Prof. John Long of the bureau of business research in the school of business at Indiana University.

Convention Dates

Feb. 6-7, Conference of Mutual Casualty Companies, fire conference, Conrad Hilton hotel, Chicago.

Feb. 10, West Virginia "I" Day, annual, Beckley.

Feb. 19-21, Michigan Assn. of Insurance Agents, mid-year, Sheraton-Cadillac hotel, Detroit.

Mar. 13-14, Conference of Mutual Casualty Companies, underwriting conference, Conrad Hilton hotel, Chicago.

Mar. 14-15, Tri-State Mutual Agents Assn., Lord Baltimore hotel, Baltimore.

Mar. 16-18, Eastern Agents Conference, Claridge hotel, Atlantic City.

Mar. 24, Rhode Island Assn. of Insurance Agents, midyear, Sheraton-Biltmore, Providence.

April 24, Chicago "I" Day, Conrad Hilton hotel.

May 1-3, Louisiana Assn. of Insurance Agents, annual, Edgewater Gulf hotel, Edgewater Park, Miss.

May 2-3, Oklahoma Assn. of Insurance Agents annual, Mayo hotel, Tulsa.

May 8-9, Conference of Mutual Casualty Companies, claim conference, Conrad Hilton hotel, Chicago.

May 22, Midwestern Independent Statistical Service, annual, Bismark hotel, Chicago.

June 6-7, Pennsylvania Claim Men's Assn., annual, Bedford Springs.

June 8-11, Conference of Mutual Casualty Companies, management conference, Grove Park Inn, Asheville, N. C.

June 11-12, Wisconsin Assn. of Mutual Insurance Agents, annual, Schwartz hotel, Elkhart Lake.

June 11-14, National Assn. of Public Insurance Adjusters, annual, Hotel Traymore, Atlantic City, N. J.

Sept. 4-5, Conference of Mutual Casualty Companies, sales and agency conference, Conrad Hilton hotel, Chicago.

Sept. 8-9, New Jersey Assn. of Insurance Agents, annual, Traymore hotel, Atlantic City.

Sept. 19-20, Utah Assn. of Insurance Agents, annual, Utah hotel, Salt Lake City.

Sept. 22-24, International Claim Assn., annual, French Lick Springs hotel, French Lick, Ind.

Oct. 5-8, Conference of Mutual Casualty Companies, annual, Chalfonte-Haddon Hall, Atlantic City.

Oct. 6-8, National Assn. of Insurance Agents, annual, New Orleans.

Oct. 19-21, Missouri Assn. of Insurance Agents, annual, Coronado hotel, St. Louis.

Nov. 20-21, Conference of Mutual Casualty Companies, accounting and statistical, office methods, and personnel conferences, Conrad Hilton hotel, Chicago.

Selke New Chief Examiner Of Texas Department

AUSTIN—Harold E. Selke of Houston, a certified public accountant with insurance experience, has been appointed chief examiner of the Texas department. He succeeds E. B. Kelley, who has held the post since last April. It was indicated that Mr. Kelley may remain on the staff.

E. B. Kelly, who had been chief examiner, was demoted by Mr. Harrison to an examiner and consultant with the Texas department. He resigned and on Feb. 1 will join the Oklahoma department as chief examiner. Mr. Kelley had been chief examiner since April, 1957, in Texas and was a member of the examination staff of the department for about 10 years. His resignation is effective Jan. 23.

Brodhead Nominated To Head St. Louis Board

John Brodhead Jr. has been nominated for the presidency of St. Louis Board to succeed William R. Dunham, who is the nominee for chairman.

Other nomination committee candidates are Charles W. DeWitt, vice-president, Harry Bishop, secretary, and James O. Holton, treasurer. Nominated to the executive committee are Richard E. Haefer, Edwin H. Bacon, and Milton H. Johnson.

Election will be Jan. 21 and the installation and annual banquet will be held Jan. 27 at the Coronado hotel.

Automobile Claims Assn. heard Albert Carlson of Buick Motor Corp. discuss power steering and power brakes at the January meeting in New York.

COMMENTS *TRENDS* *OBSERVATIONS*

In Ireland, Anyone, Including Insured, May Be Paid Commission On Business

By GEORGE H. MENEFEE

The difficulties the companies are experiencing with some state insurance departments and other governmental bodies is a situation not peculiar to this country. The Irish have it, too. A statement in the 1956 annual report of Ins. Corp. of Ireland adequately sums up the problem for us as well as for them: ". . . it is disheartening to find that executives have to devote so much of their time to justifying our industry before government bodies here—time which could so much more profitably be utilized in developing our business at home and abroad."

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In Ireland the problem has been magnified by the serious need for a general increase in exports. A large part of the responsibility for improving the foreign trade situation has been placed on the Irish insurance companies, and they have been doing considerably more than their share. The management of these companies feel a radical change in the actions of the government is needed. According to their estimate there has been too much governmental interference without sufficient regard to the necessity of adequate incentive to insure economic progress and development.

At the present time none of the Irish insurance companies are operating in the United States, except for modest participation in some reinsurance. One of the companies formerly operated in a western state, but insufficient premium volume with which to meet the tax requirements forced it to withdraw. The companies do write a substantial proportion of their business in Northern Ireland and other portions of the United Kingdom. Several companies have developed substantial operations in Canada and expect to participate in the growth of the area. They do not, however, think the U. S. presents a very attractive picture at present. "Too much regulation, inadequate rates, and excessive court awards," said one official.

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The investments of the Irish companies show considerably more variation between the companies than there is on underwriting. All companies have a substantial portion of their investment funds in Irish securities, as might be expected, but the percentage of foreign investment to domestic investment varies considerably. Irish government securities held ran from a low of 22% in one company to a high of 37% in another, while total investments within the Republic of Ireland ran from 100% in the case of one company studied to slightly less than 30% in the case of another.

One of the amazing things about the investments of the Irish companies is their generally heavy proportion of securities in British areas as compared to their own area and the United States. One company, for example carries 33% more funds in British securities than in Irish, and 25% more in South African securities than in the U. S. The same company has invested almost 400% more in Canada than in this country.

Results of the investment policy of the Irish companies has not been spectacularly successful as evidenced by the number of companies reporting losses in this field. One company reports a 12% drop in the market value of its portfolio and the experience of other companies is similar.

On the underwriting side most of the companies showed a loss for the year. While the marine field was universally profitable to those Irish companies writing this class of business, losses on fire lines and on automobile were such as to more than offset the modest profits for most companies. Employers liability was a mixed blessing to the companies but the general trend was favorable. General liability was poor for the most part—favorable for the companies within the Republic of Ireland, and poor outside the country.

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Strangely enough there is substantial difference in the amount of commissions paid on premiums written. For three of the principal companies, the agents and brokers commissions for fire business varied from 13.7% to 29.5%. On automobile lines the commissions ranged from 10% to 24%. This wide variation is explained in part by the fact that the Republic of Ireland has no agents' license law. Anyone can receive commission on business sold, including insured. Company officials state that about 10% of the people who buy insurance are paid the commission on their own business. Most of the business for the Irish companies which is developed within the country is produced by company special agents who operate in the manner of direct writers in this country. There are relatively few brokers in the Republic and they, of course, confine their activities to the larger risks.

Company employes produce almost all of the business outside of municipal areas, the country areas of the south and west being almost exclusively theirs. Many of the field men are required to handle claims and see to the general operation of the local office as well as put the business on the books.

Irish company officials are realistic people who can make as good an appraisal of business prospects as the next man. In spite of the fact that the immediate future does not look inviting to the underwriter, and despite the fact that their government presses the companies to write more foreign business without providing any incentive, company officials can talk about their considerable problems in an unheated manner.

Covers U.S. Exhibit At World's Fair

Huntington T. Block

Several million dollars worth of American exhibits for the 1958 World's Fair in Brussels, Belgium, will be protected under a unique inland-ocean marine policy drafted by Aetna Fire and the McLaughlin Co. agency of Washington, D. C. While the Universal & International Exhibition will not open its doors till next April, the coverage became effective Nov. 1. It expires March 1, 1959.

The property is being borrowed by the U. S. from private individuals and organizations. The policy covers during the accumulation of the property, while it is in transit to Belgium, while there on exhibition, during return transit to the U. S. and during the period of de-accumulation until returned to owners.

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Aetna Fire is the lead company on the risk, but six other companies are participating. They are Home, Queen, Great American, Maryland Casualty, North America, and Fireman's Fund.

Total value of the exhibits, which will be housed in the U. S. pavilion and in the fine arts and science halls, is estimated at more than $6 million. The liability of the participating companies is limited to approximately half of the total property being sent, largely because many of the lending organizations have obtained their own insurance. The purpose of this coverage is to protect lenders who specifically request it.

Insured named in the contract is U. S. Department of State, office of the U. S. commissioner general, Brussels Universal & International Exhibition. Headquarters of the commissioner general are in New York but the negotiations with the State Department were handled by Huntington T. Block, vice-president of the McLaughlin agency.

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The U. S. exhibit will attempt to depict the high peaks of the country's technical progress, the human welfare of its citizens and those elements of American culture that need to be emphasized abroad. Art and science will be highlighted, but other Americana will also be on display.

Among the exhibits included in the U. S. pavilion are a "street-scape," a typical American Main street with 12 store windows, a model of the city of Philadelphia, a 1903 model A Ford, atomic energy and International Geophysical Year exhibits, American living quarters, a sports area, electronic brains, a children's art center, a collection of paintings by masters and contemporaries and other art objects.

The pavilion, which will house most of the property is now being completed at a cost of more than $5 million.

Insurers Build Up Late Balances With 60, 90 Day Notices

Rosser Long Jr., local agent at Fayetteville, W. Va., and president of West Virgina Assn. of Insurance Agents, comments on the story in the Dec. 6 issue, "Overdue Balances of Agencies Larger Than A Year Ago" as follows:

It so happens that I am at the moment studying the purchase of some new agency invoices and expiration notice forms. I have written to many of the supply houses for samples. Many of these forms seem to me to have a "built-in delinquency." I mean by that, even though they are the new multi-copy, one-write system, they have first an invoice which goes with the policy, then a 30-day notice to send to insured as a reminder, and also a 45 or 60-day notice. I even found one company that in addition to the 60-day notice furnishes a final notice.

When an agent trains his insured to expect at least one to three notices before he gets the final notice as much as 90 days later, how do you expect him to pay on time?

If you will pardon the personal reference, our accounts receivable in this agency do not normally exceed 20 days' business. We think it is because our multi-copy system includes only our accounting forms and the policy invoice. When the policy is delivered, payment is either taken or definite arrangements are made. If a policy charged on our books is not paid by the 10th following a regular first of the month statement, we follow-up to find out why. So, you see, usually within 30 days we have received our premium payment.

It is only through the payment by our customers that we are able to pay our companies. I am sure it is the same with all other agencies. So, as long as these so called agency systems have a built-in 60 to 90 day delinquency, I don't see how the companies can expect to get their payments promptly.

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Savings Banks Insurance Forum of New York State heard David V. Palmer, vice-president of Lumley, Dennant & Co., New York, discuss the operations of London Lloyds at the January meeting.

Two Teachers Outline Pros And Cons Of Case Method Of Instruction

PHILADELPHIA—The case method of insurance instruction can be used to help students learn facts, practice thinking and get a glimpse of wisdom, according to Davis T. Ratcliffe of New York Insurance Society's insurance school, who spoke at the annual meeting of American Assn. of University Teachers of Insurance here.

While the case method can be used only to a limited extent with beginners learning basic facts, it may be employed with more effect when they advance to a point where they are thinking about practical problems, Mr. Ratcliffe said.

The case method is handicapped when it comes to teaching subjects based on knowledge of many memorized facts. Suitable cases are difficult to find and the method itself is more work than the lecture system. Also, the instructor stands a chance of losing prestige if he cannot answer his students' questions when cases are discussed.

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If the case method is adopted, Mr. Ratcliffe said, teachers should make sure that students study the cases so that they can talk about them in class. The instructors should encourage spirited discussions and sum up at the end of the session to avoid leaving the principles hanging in mid-air.

James McPherson, Boston college insurance professor, reported the method works well with his undergraduates. It can be used best when the object is to describe what is going on and why things are being done, as opposed to telling "how to do it."

He agreed with Mr. Ratcliffe that the method does not lend itself to some subjects and that good cases are difficult to find. But he did not see harder work and possible loss of prestige as valid objections.

Teachers using the method must encourage the students to "live" the case and, most important, make decisions. A big advantage is that the cases are written in an understandable way.

The cases help students realize that insurance involves people, prices and problems in addition to the small print and exclusions. However, the teaching value is lost if the cases are too simple, Mr. McPherson said.

Fitz Joins Wabash F.&C. As General Claims Manager

Wabash Fire & Casualty has appointed Thomas H. Fittz Jr. general claims manager. He has been in claims work for 22 years, for the last year with American at Indianapolis and before that for 12 years with American Automobile in charge of claims in Indianapolis.

McGonagle In New Post

Lee S. McGonagle has joined Farmers Mutual of Enumclaw, Wash., as claims manager.

Mr. McGonagle has been in the business since 1942 when he started with Travelers at Seattle. In 1945 he joined American Automobile, and when Rainier National set up its claim department in 1953, he was appointed manager. When that company merged with Western Pacific, he went into the agency side of the business as assistant vice-president of Pacific Underwriters Corp. Active in the establishment of Seattle Casualty & Adjusters Assn., Mr. McGonagle was president of the organization in 1949-50.

Brough To Security As General Manager Of Pacific Division

Security-Connecticut has appointed C. A. Brough general manager of the Pacific division at San Francisco.

Mr. Brough has been vice-president and Pacific division manager of Pacific National group in San Francisco. He entered insurance with North America in 1924, and joined Phoenix in 1926 serving successively as underwriter, special agent, marine manager and agency superintendent. He joined Pacific National in 1945.

American Indemnity Advances 2 At St. Louis

Elmer C. Finke, manager of the claim department, has been promoted to assistant manager of the St. Louis branch office of American Indemnity and American Fire & Indemnity.

In another promotion, Andrew Lankford has been advanced from underwriter to office manager at St. Louis.

Mr. Finke has been with the company as manager of the claims department since 1945, and Mr. Lankford as an underwriter since 1956.

Cartwright, Valleau & Co. Is Organized At Chicago To Deal In Insurance Stocks

Levering Cartwright has formed with three associates a new investment firm, Cartwright, Valleau & Co., to specialize in insurance stocks. The firm is a member of the Midwest Stock Exchange and has offices in the Board of Trade building, Chicago.

Levering Cartwright

Besides Mr. Cartwright, who will serve as president, the founders are Harry O. Valleau, vice-president and treasurer; Roger Q. White, secretary, and Wayne W. Olson, assistant secretary.

Mr. Cartwright is a director and former vice-president of the National Underwriter Co. For 24 years, he was managing editor and then executive editor of THE NATIONAL UNDERWRITER. He has been in insurance public relations and consulting work and serves as intermediary in insurance company amalgamations.

Since 1930 Mr. Valleau has headed Harry O. Valleau & Co., dealer in industrial and public utility issues, bank and insurance shares and municipal bonds.

Mr. White is a director of the National Underwriter Co., Marine Acceptance Corp., president of Twin Cities Servisoft Corp., director of Automatic Appliance Service, and president of Service Enterprises.

Mr. Olson is secretary of Marine Acceptance Corp. and Twin Cities Servisoft Corp.

Louis Moeckel Retires From America Fore

Louis Moeckel, controller of America Fore at the home office, has retired. He celebrated his 40th anniversary with the group Dec. 17. He began in insurance in 1917 with America Fore in the statistical and accounting divisions. In 1933 he became chief clerk of Continental, in 1943 an assistant secretary of all the companies in the group, in 1949 secretary, and in 1951 controller.

Calls Attention To Problem Of Small Policy Amounts

Glens Falls has issued to agents a special bulletin on low valued dwelling policies. The bulletin states:

Fire insurance companies have shown an increasing resistance toward the acceptance of low valued dwelling policies since early in 1957. Several companies have bulletined their producers naming specific dollar limits under which they will not accept dwelling or household furniture coverage without full explanations. The Glens Falls would be most reluctant to follow that procedure and we shall avoid doing so unless it is required as a matter of self defense.

Low valued property and low insurance to value have contributed to the present high loss ratios. No company seeks this kind of business. We particularly wish to avoid absorbing it when it comes to us as a result of the underwriting restrictions of our competitors. We know you will understand the fairness of that position.

As producers, you have more at stake in this problem than your relationship with your companies. Small dwelling policies do not pay their proportionate share of your expense and, where they exist because of low insurance to value, your customers are improperly insured.

The effective control of these problems is deserving of your full cooperation.

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Kerper, Ill. Manager Of Employers Mutual, Retires

John S. Kerper, Illinois branch manager of Employers Mutual Casualty, is retiring after 30 years with the company. He will be succeeded by Dale C. Fry.

Mr. Kerper served as field supervisor of Iowa and later became manager of Michigan in 1940 before moving to Chicago in 1951. He will continue to serve the company on special assignment in a new territory. Mr. Fry has been with Employers Mutual since 1947, serving in Iowa as safety engineer and as an underwriter and field supervisor in Illinois.

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Albany (Ore.) Agents Elect Catt

Donald R. Catt was elected president of the Albany (Ore.) Insurance Agents Assn., succeeding John Robb. Also elected were John Anderson, vice-president, and Ruby Miller, secretary-treasurer. Newly elected directors are John Robb, David P. White, Mary Pontius, John Pearce, and Charles Brisco.

Mass. Compulsory Auto Insurers Writing At Honest Rates, Low Overhead

(CONTINUED FROM PAGE 8)

He declared that the public should be told that out of every $100 paid for compulsory auto, $79.10 goes to meet a contractual obligation to defend insured and pay claims for which he is liable. Mr. Linder showed the commission statistics revealing that the expense loading on compulsory auto in Massachusetts now aggregates 32.5%. At the least this is 10% less than loadings in New York, New Jersey, and Pennsylvania. He said that if the Massachusetts expense loadings were to prevail throughout the U .S., insurers writing auto coverage would soon get out of it entirely. If there is not enough money in the business to attract capital, states will be forced to nationalize the business—the result being monopolistic state funds. Insurers might operate on an inadequate expense allowance in one state, but could not do so nationwide.

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Much was made of expense allocation at the hearings. Mr. Linder and an associate, B. H. Dreifoos, critically examined and analyzed methods used by five insurers in obtaining the expense data reported on returns prescribed by the Massachusetts department for 1956. The companies were Employers Liability, Travelers, Factory Mutual Liability, Liberty Mutual, and Lumbermens Mutual Casualty.

Despite the combined, multiple line annual statement form and expense exhibit, and uniform accounting, Mr. Linder noted, there is considerable leeway for each company to adopt the base of allocating expenses most appropriate to its method of transacting business. Also, he commented, countrywide expense ratios, modified to reflect local conditions, are utilized except in a few states, notably Massachusetts.

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Mr. Linder introduced a comparison between allowances in the rates for expense elements in New Jersey, New York and Pennsylvania, for private passenger auto BI 5/10 limits. The allowances in New Jersey are 5.8% for unallocated loss adjustment expense, 25% production cost; 1% for inspection, audit and bureau; 5.1% for taxes, licenses and fees; 5.5% for general administration, and 5% for underwriting profit. In New York these percentages are 6, 25, .98, 4.71, 5.37, and 3.42, respectively, and in Pennsylvania, 6, 25, 1, 3, 5.5, and 5. The totals for the three states are 47.4%, 45.48% and 45.5%.

For Massachusetts compulsory the total is approximately 28.8% (32.5 less 3.7 for allocated claim expense) for stock companies.

For all five companies studied, Mr. Linder said, on compulsory the ratio of loss adjustment expense to earned premiums are about two or three times as high as for other non-compulsory auto BI. This partly due to the higher provision for expenses than on compulsory.

In relating loss adjustment expenses to losses, Mr. Linder made three comparisons for the five insurers, compulsory, other auto BI in Massachusetts and auto BI countrywide. This produced percentage figures for Employers of 13.8, 12.5 and 15.9; for Travelers, 12.9, 10.9, and 12.6; for Factory Mutual 27.4, 27.4 and 31.8; for Liberty Mutual 16.5, 15.8 and 16.9, and for Lumbermens 17.5, 13.1 and 18.4.

Mr. Linder commented that the high ratio for Factory Mutual appears to be attributable to a particularly elaborate claim office setup. Also, Factory Mutual's countrywide loss ratio is much lower than average.

He concludes that there appears to be nothing seriously out of line with

the allocation of adjustment expenses in Massachusetts.

On acquisition, field supervision and collection expenses, he noted a sharp distinction between agency and direct writing companies. In determining expense loadings, practically all states including Massachusetts make an allowance for production cost based on the experience of agency stock companies.

Comparing this expense on compulsory and on other auto BI in Massachusetts, and relating it to earned premiums, Mr. Linder reported that the two percentages for Employers were 11.5 and 22.8, for Travelers 11.6 and 23.1, Factory Mutual 7.8 and 7.8, Liberty Mutual 7.3 and 7.1 and Lumbermens 15.8 and 22.5.

The ratio of general expenses to written premiums is lower on compulsory and other Massachusetts business than countrywide because in that state the expense is not prorated on a national basis. For compulsory, other Massachusetts auto BI, and auto BI countrywide the ratios were for Employers 5.6, 6 and 7.3; Travelers 2.9, 3.2 and 3.5; Factory Mutual 5.3, 5.3 and 7; Liberty Mutual 2.8, 2.7 and 3.1, and Lumbermens 4.5, 4.5 and 4.7.

Mr. Linder said he had found no evidence of bias in an effort to overstate or understate Massachusetts auto BI expenses. The insurers had a practical problem and met it in a practical way. The distribution of costs between compulsory and other BI has been made on a fair basis, he said.

It was brought out that the legal costs of defending automobile property damage suits in Massachusetts usually are assessed against compulsory auto. However, according to Ernest T. Berkeley, actuary of Employers, the costs of such legal work represent an infinitesimal part of over-all costs.

James P. Allen, chief claims counsel of Liberty Mutual, said that until very recently his company had been charging staff legal expenses to compulsory auto costs, but now assesses 80% of costs against compulsory premiums and 20% against property damage, where a case combines both types of suit.

Mr. Linder said that he believes part of the claim expense in combined compulsory-property damage claims should be charged to property damage.

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For the companies to make such an allocation would not make a difference of more than one-tenth of 1% in the premium rate, he said, adding: "I don't think rates are ever made that accurately."

However, he suggested the insurance commissioner require such claim expense allocation between BI and PDL be included in th eannual company expense figures furnished the department.

"So far as allocated claim expense is concerned," he said, "in all states except Massachusetts neither the companies nor the insurance departments are very much interested. Close to 100% of automobile policyholders carry both BI and PDL, and if there is a little misallocation between BI and PDL nobody cares."

Members of the commission, however, indicated they were disturbed by the possibility that compulsory auto premiums might be bearing more costs than should be allocated to them.

When Mr. Linder expressed the view that all the legal expense in defending excess limits BI claims should properly be charged to the basic 5/10 compulsory auto premiums, an attempt was made to get him to agree that compulsory auto pays the bill for excess limits. Declaring an insurer is obligated to give insured unlimited defense, whether the limit is $5,000 or $100,000, Mr. Linder said there is no excess limits bill.

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The assessment of executive salaries against compulsory auto costs was also discussed. Asked how much is being assessed, S. Gilbert Tattersall, comptroller of Liberty Mutual, said that executive salaries paid in Massachusetts are allocated among 25 classes of casualty written in the state by the company, and that a "very, very small part" is assessed to compulsory auto. For Employers group, Mr. Berkeley said that 18 executives of the companies received $242,000 in salaries in 1956, and that $9,200 of that figure was charged to compulsory auto. Employers compulsory auto premium volume last year totaled $3,152,363, he said.

Mr. Linder compared average private passenger rates for BI and PDL for Massachusetts, New Jersey, New York and Pennsylvania. The last two columns furnish this comparison for the stock company (National Bureau of Casualty Underwriters) and mutual company (Mutual Insurance Rating Bureau) rating organizations. On Massachusetts compulsory, the rate actually is promulgated by the commissioner rather than by the rating organizations.

For National Bureau each average

rate is broken down by amount and percent, between (a) losses and loss expenses (allocated and unallocated) and (b) other expenses (including underwriting profit and contingencies). For Mutual Bureau the amounts are the same as for National Bureau in Massachusetts and New York and somewhat smaller in New Jersey and Pennsylvania due to lower average rates. The percentages, however, are the same in each state, since both rating organizations utilize the same permissible loss ratio and percentage loading for expenses.

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In Massachusetts, there is no surcharge for assigned risks and deviations are permissible on non-compulsory. In New York, New Jersey and Pennsylvania, there are surcharges for assigned risks and deviations are permissible. In Pennsylvania rates were increased July 3. In the other three states, rate increases currently are under consideration.

	National Bureau Losses (Incl. Loss Expenses)		National Bureau Other Expenses (Incl. Profit)		National Bureau Average Rate	National Bureau Average Rate
	$	%	$	%	$	$
Automobile BI (5/10 Limits)						
Mass. Compulsory	37.84	79.3	9.88	20.7	47.72	47.72
Mass. Coverage B	4.33	61.8	2.67	38.2	7.00	7.00
Massachusetts Total	42.17	77.1	12.55	22.9	54.72	54.72
New Jersey	18.40	58.4	13.11	41.6	31.51	30.64
New York City	63.79	60.5	41.65	39.5	105.44	105.44
New York (exc. N.Y.C.)	31.66	60.5	20.67	39.5	52.33	52.33
New York Average	36.67	60.5	23.94	39.5	60.61	60.61
Pennsylvania	16.84	60.5	10.99	39.5	27.83	25.63
Automobile PDL ($5,000 Limit)						
Massachusetts	19.82	60.5	12.94	39.5	32.76	32.76
New Jersey	11.95	58.4	8.51	41.6	20.46	18.83
New York City	18.23	61.1	11.60	38.9	29.83	29.83
New York (exc. N.Y.C.)	12.69	61.1	8.08	38.9	20.77	20.77
New York Average	13.55	61.1	8.63	38.9	22.18	22.18
Pennsylvania	13.26	60.5	8.66	39.5	21.92	19.52

Zacharkow Succeeds Bennett At Boston

Boston has named Secretary George S. Zacharkow to succeed Richard W. Bennett, vice-president in charge of the group's loss department, who has retired after 42 years with the companies.

Mr. Zacharkow was elected secretary of the group last month. His new duties give him charge of all losses and claims. He joined Boston as manager of the New York loss department in 1949, and was named marine and fire loss manager at the home office last year.

Mr. Bennett went with Boston in the ocean marine underwriting division in 1915, was elected assistant secretary in 1941, placed in charge of the loss department in 1943, and named vice-president in 1946.

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EC Filing In N. C.

While Commissioner Gold of North Carolina was studying the filing of North Carolina Fire Insurance Rating Bureau on extended coverage rates state school buildings, two tornadoes unroofed and largely demolished the new school at Wilton for a $400,000 loss. Mr. Gold has indicated that the bureau filing would be subject to public hearing. Under the law, all schools in North Carolina must carry fire and extended coverage at 75% of the building and contents values.

Vernon Casualty Joins Ranks Of ML Insurers

Vernon Casualty of Indianapolis has increased its capital and surplus and has qualified as a multiple-line fire and casualty insurer.

At the end of 1956 the company's capital and surplus were increased beyond the $500,000 mark for a new high, and during 1957 an additional $250,000 was added to exceed the $750,000 requirement under Indiana law.

This program has been carried on during the last 18 months under the direction of Harold H. Bredell, who was elected president in May, 1956. Prior to that he had acted as general counsel and secretary-treasurer since the organization of Vernon Casualty in 1946 and Vernon General in 1941. During the past 18 months the Vernon companies have registered improvement in underwriting experience.

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The addition to the executive staff of Warren King, who has been in insurance activities in California for two years, and prior to that had served for several years as manager of the Vernon's eastern Indiana territory, is announced. Mr. King has been assigned to agency relations and special projects.

It is expected that the name of Vernon Casualty will be expanded to Vernon Fire & Casualty to indicate the new breadth of its coverages. Prior to this, automobile and other casualty lines have been written in Vernon Casualty and fire lines by Vernon General. After the necessary details have been completed, both lines will be written in the one multiple line company.

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The National Weekly Newspaper of Fire and Casualty Insurance

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EDITORIAL COMMENT

Gears Commission To Agency Loss Ratio

Adoption by American Surety of a commission scale on automobile related to the loss ratio of the agency is an interesting move. At present, the plan is confined to New York state and business produced outside of New York state on automobiles garaged in New York.

Contingent commissions long have been used in the fire business, and the casualty business has had its general agency or regional agency commissions as compared with local agency fees, with the schedules varying according to the line of business. But the contingency commission always has operated, so far as we know, as a credit, and never as a debit.

Yet all that American Surety has done is express in the terms of a management policy what other companies have done as a matter of expediency, depending on the favorable or unfavorable character of the experience. For example, a good many companies right now are cancelling agencies where the loss ratio is excessive, or reducing their commitments in other agencies, or are cutting back across the board on the writing of lines on which experience has been unfavorable. Today the outstanding example of a bad line is the automobile business. When experience improves, the companies move back in, increase their acceptances, and on some lines increase their commissions.

But with American Surety's plan the agent knows in advance that his commission currently is 25% on automobile, but that if his loss ratio becomes excessive, it will go down to 20%. If it has been 18%, with a bad loss ratio it will go down to 15%. Knowing this in advance, he may, if he has not been doing so, pay more attention to the selection of risks than before. For the good agent who underwrites his business regularly and whose loss ratio reflects the care with which he proceeds, the commission scale remains what it has been.

If American Surety finds that the plan works successfully in both good times and bad, the accomplishment of its objective by a consistent, stated policy known by all concerned in advance should be more satisfactory than the spasmodic and intermittent modification of commission and or market capacity to meet a changing situation. Very likely the test will come when automobile experience improves—if it ever does. When other companies begin to reach again for auto liability business and to offer inducements of various kinds, perhaps even including increased commission, the success of the plan will be tested by events.

rating is that when companies are

The difficulty with credit and debit hungry for premiums, insured can always transfer to another insurer and escape the penalty of his careless ways. However, in the fire business, debits on insured's rate have worked quite well. Perhaps there is a good chance for the American Surety plan to prove out.—K.O.F.

PERSONAL SIDE OF THE BUSINESS

G. N. Duncan

George N. Duncan, whose appointment as assistant superintendent of the fire department of Zurich was announced last week, has been in the business for 28 years in underwriting production and administration with Continental Casualty companies and with General of Seattle. He has taught insurance classes in New York and Seattle.

Lyman M. Drake Jr. has retired as a general partner of the Critchell-Miller agency at Chicago and has become a senior associate. He will remain active with the agency, of which he is a veteran of 36 years, but made the change to have more time for himself, as well as to provide the opportunity for younger men to come up in the agency. Three men have been promoted to general partners. All with Critchell-Miller for a number of years, they are Harold E. Carlson, James H. Jones and John P. Schmitz.

Mr. Drake, who will also continue to be active in the state and national agents' associations, has held every office in the Illinois association, including the presidency, and for two years was state national director for Illinois. He has attended NAIA annual meetings for more than 15 years and at one time received the C. M. Cartwright merit award for outstanding service to the insurance business.

The condition of **Almore H. Teschke**, vice-president and general counsel of United of Chicago, is improving after he was stricken by a heart attack. He is recuperating in Evanston (Ill.) hospital.

James S. Kemper, chairman of the Kemper companies, has been selected as one of the "100 Greatest Citizens of Chicago," the only insurance man on the list. Mr. Kemper and the 99 other outstanding Chicagoans, chosen for distinguished achievements and contributions to the city, were presented with citations at a civic dinner. Mr. Kemper's selection resulted from his civic and philanthropic efforts since he moved to Chicago from Van Wert, O. in 1911. He is currently a trustee of Illinois Tech, Ripon College and Wesley Memorial Hospital, a director of Boys' Clubs of America and trustee of International Chamber of Commerce, National Industrial Conference Board and U. S. Inter-American Council of Commerce & Production.

DEATHS

WILLARD E. LORD, 77, outstanding accident and sickness general agent in Cincinnati, died of a heart attack. He had not been in good health for about two years, but had continued to work at a reduced pace and as recently as Dec. 13 had attended and taken a bow at the meeting of Cincinnati Assn. of A&H Underwriters. He had been at his office the Saturday before his death and was stricken Sunday.

Starting with National Surety as a bond man in Pittsburgh, Mr. Lord went to Detroit with that company and moved to Cincinnati with Neare, Gibbs & Co. in 1912. In December, 1914, he became general agent for Continental Casualty. The agency was incorporated under its present name, W. E. Lord & Co., in 1922 and became one of the most prominent A&S offices in the country.

Mr. Lord is survived by Mrs. Lord, two daughters, Mrs. C. T. Baumgartner, whose husband is casualty manager for Hartford Accident in Cincinnati, and Mrs. T. D. Hunnicutt, wife of a Cincinnati physician, and three grandchildren.

THOMAS J. CANTWELL, local agent for 39 years at Decatur, Ill., and partner with his son Robert T. in the Cantwell agency there, died after a 2-year illness. The death of Robert T. Cantwell was erroneously reported in the Dec. 27 issue of THE NATIONAL UNDERWRITER.

CHARLES D. BENNETT, 89, an agent at Detroit for more than 50 years, died. His agency was the forerunner of the present Bennett-Graham agency.

BENJAMIN J. MOORE, 68, former manager of Western Adjustment at Saginaw from 1921 until his retirement in 1954, died.

WILLIAM C. FINNEY SR., 68, agent at Newark, O., died. Mr. Finney traveled in Ohio from 1921 until his retirement in 1953 for Central Mutual of Van Wert. When he began he serviced the whole state, a territory now handled by five special agents of Central.

GEORGE B. STACKHOUSE, 74, local agent at Mullins, S.C., for 51 years and the first local agent in that community, died in Martin hospital there. He remained active until a few months ago.

GEORGE P. SCHWIN, 76, manager of the insurance department of Fountain Trust Co. until his retirement a year ago, died of a heart atack at Covington, Ind.

ORA A. SANKS, 68, local agent of Decatur, Ill., died.

ANDREW L. JOHNSTON, 78, president of General Reporting Bureau of San Francisco and a pioneer in the casualty business on the Pacific coast,

died in an automobile accident. As resident secretary of Royal Indemnity at San Francisco, he figured prominently in the introduction of compensation insurance in California in 1914 and 1915. During the 20s, Mr. Johnston became president of the now defunct Public Indemnity, and after leaving retirement, he bought General Reporting Bureau.

PAUL BROWN, 68, a vice-president of Lumbermens Mutual Casualty and American Motorists, died following a brief illness. In the insurance business for 53 years, he was recognized as an authority on fidelity and surety bonds. He joined the Kemper organization in 1942 as manager of the bond department.

G. KOHLER NORMAN, 53, cotton department manager of North America, died at his home in Germantown, Pa. He had been with the company since 1924.

CHARLES ROSEBROCK, 66, vice-president and a director of Talbot, Bird & Co. of New York, and a director of Universal, died at his home in Brooklyn. He joined Talbot, Bird in 1912. A specialist in marine insurance, he was a dean of Hull Underwriting Fraternity, an organization of marine underwriters.

RUFUS G. POLAND, Montana commissioner from 1917 to 1919 died at Portland, Ore. He was about 80 years old. He was appointed commissioner to complete the term of William Keating who died in office, but was defeated in the election in 1918. In recent years he had been active in politics in Portland.

JOHN BENDER, 47, an underwriter with the Hoey, Ellison, Frost & Mezey agency of New York, died there.

Report Municipal Tax Program Works Smoothly Despite Early Battle

It is reported in Louisville that despite the furor raised last fall by the agents over the proposal that they show municipal taxes separately from the premiums in billing their customers, the program is working out smoothly. On Nov. 25, Kentucky Inspection Bureau sent out a chart on how to figure municipal taxes and this reduced a lot of labor for the agents.

The argument against segregating the taxes went into the courts, but the insurance department won the decision.

Boyd, Murphy, 10 Others Promoted By America Fore Group

America Fore has made a number of promotions at the home office, including the advancement of George A. Boyd from vice-president to vice-president and treasurer, and the appointment of Joseph F. Murphy, counsel, as secretary and counsel.


Joseph F. Murphy

Harold E. Johnson, assistant secretary, has been promoted to secretary of the companies in the financial department; Henry C. Kilian, assistant controller, to secretary, and Henry L. Francis, assistant secretary, to secretary.

Norman F. Andruss, assistant controller of the fire companies in the southwestern department at Dallas, has been appointed secretary of the fire companies and transferred to the home office.

Horton S. Hickerson, traveling auditor, has been named assistant treasurer; Edward A. Sorge, accounts superintendent of the fire companies, assistant secretary of the fire companies, and Geoffrey Davey, assistant to the controller, assistant treasurer. He will have primary responsibility for all domestic and foreign tax matters.

William L. Finn and Robert Potwin Jr., assistant traveling auditors, have been advanced to traveling auditors of the fire companies, and Walter Sichel has been advanced from assistant superintendent to superintendent of the controller's division of Fidelity & Casualty.

New Orleans Exchange Revising Its By-Laws

New Orleans Insurance Exchange has called a meeting of members for Jan. 14 to cancel part of its by-laws to comply with the decree of the federal district court there. The court held that the exchange combined and conspired to restrain and monopolize fire and casualty business in the area. Consequently, the exchange is taking steps to terminate those by-laws which fix commissions, prohibits anyone appointing as agent or doing business with non-members, prohibits dealing with mutual, participating company or direct writers, gives the exchange the right to inspect books and otherwise police business of members, assess punitive fines, etc.

The final decree of Judge Wright directs the government to report on progress of compliance at the end of a year. A copy of the decree is being mailed to all companies doing business with members.

Gopher 1752 Club Elect Officers

At its annual meeting Gopher 1752 Club of Minnesota elected the following officers: John Skurdalsvold, Employers Mutual of Wausau, president; Patrick Heaney, Citizens Fund, vice-president; Joseph Byron, Minnesota Farmers, treasurer; and R. E. Walsh, Austin Mutual, secretary. Directors chosen for 1958 are Richard Madson, Iowa Hardware; Thomas O'Malley, Milwaukee Auto; W. E. Anderson, St. Paul Mutual, and Harold Zabel, Austin Mutual.

Natl. Union Transfers Coyle To L. A. Post

Bert W. Coyle, assistant Pacific coast manager of National Union, has been transferred to Los Angeles as general manager of enlarged operations in southern California. William Bauermeister remains as manager at Los Angeles.

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The Seattle office of **Reliance** has been moved to 647 Dexter Horton building.

Actuaries Promoted By National Bureau

National Bureau of Casualty Underwriters has made a number of promotions in the actuarial division.

Assistant Actuaries Gilbert R. Livingston and Thomas E. Murrin have been advanced to associate actuaries, Assistant Actuary Richard Lino to senior assistant actuary, and Actuarial Clerks Ronald L. Bornhuetter, Joseph De Melio and Daniel J. McNamara to assistant actuaries.

Mr. Livingston joined the bureau in 1926, Mr. Murrin in 1946, Mr. Lino in 1949, Mr. De Melio in 1952, and Mr. Bornhuetter and Mr. McNamara in 1953.

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Los Angeles Credit Men Elect

Insurance Credit Managers of Los Angeles has elected as 1958 officers the following: Stephen Rennick, Swett & Crawford, president; Fabian Kozik, United Pacific, vice-president; Mary Ann Showers, Zenith National, secretary; and Al Monge, Argonaut group, treasurer.

Bond Underwriters Of N. Y. Hear Talk On Blanket Crime Policy

Since the blanket crime policy is available for amounts starting at $1,000 and there is no ceiling or maximum amount for which it may be issued, no employer can say in truth that he is too small or too large to enjoy the benefits of its coverage, Michael Verdrose, manager of the New York metropolitan bonding department of Great America Indemnity told members of Assn. of Bond Underwriters of New York at a recent monthly meeting.

"Thus, we have an insurance policy which appeals to the smallest, the largest, and all of those employers in between," he said, "and while we do not say that the policy is a panacea for all ills, we do believe that it is a step closer to the ultimate desired in crime insurance, and probably has reached the penultimate stage."

Going extensively into the provisions of the blanket crime policy, Mr. Verdrose outlined each of its insuring features, its exclusions and the rates charged, and emphasized the need for this coverage by citing statistics issued by the FBI.

As for adequacy of coverage, Mr. Verdrose said that the amount paid out annually by insurers as losses under bonds and policies is estimated at between $30 million and $35 million, or approximately 5% of incurred losses. These statistics, he stressed, reveal how many employers are inadequately covered or are not covered at all.

The new formula developed by Surety Assn. of America which measures the degree of exposure of each firm to dishonesty losses, he added, quite accurately indicates the amount of honesty insurance necessary, and emphasizes the job ahead of fidelity underwriters and producers in the promotion of blanket crime insurance.

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Texas Agents Assn. To Hold Regional Meetings

Texas Assn. of Insurance Agents will hold regional meetings in Galveston, Jan. 14, with J. C. Blackshear as chairman; Victoria, Jan. 15, with E. J. Dysart chairman; San Antonio, Jan. 16, R. Yancey Barnhart of Pearsall chairman.

Speakers at these meetings will be M. Storey Lindsay, Houston, association president; Charles D. Blandford, National Union Fire; Woodrow W. Schumacher of the Texas department; J. D. Squibb, manager Texas Automobile Service Assn.; and William J. Harding, public relations director Texas Insurance Advisory Assn.

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Houston Insurance Club Elects Gammage President

HOUSTON—Earl W. Gammage, chairman and president of Pan American companies, has been elected president of Insurance Club of Houston. Other new officers Are: A. W. Lowery, Republic National Life, vice-president, and Robert L. Clark, Columbia General Life, secretary.

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No. Cal. Buyers Elect

Newly elected officers of American Society of Insurance Management northern California chapter are Claude Stanley, Marsh & McLennan-Cosgrove Co., president; Franklin Knapp, Phoenix of Hartford, vice-president; Donald Henning, Permanente Cement, secretary; and Earl William, Fireman's Fund, treasurer.

HIAA To Hold Annual Group A&S Forum At Chicago Feb. 17-19

The annual group forum sponsored by Health Insurance Assn. of America will be held Feb. 17-19, at the Drake hotel in Chicago.

Registration will start on Sunday afternoon, Feb. 16, and continue until 10 a.m. the next morning when the general session will be convened by John W. Crews, vice-president of Benefit Association of Railway Employees, chairman of the HIAA forum subcommittee.

Dr. Rudolph H. Friedrich, secretary of the Council on Dental Health of American Dental Assn., will speak on "Dentistry's Interest in Health Insurance" at 11 a.m. Feb. 17. Jerome Pollack, program consultant of the UAW AFL-CIO social security department, will speak at the annual group luncheon the same day on "Health Insurance Today and Tomorrow; a Labor View."

Chairman of the association's group committee is C. Manton Eddy, vice-president and secretary of Connecticut General, who is scheduled to deliver the opening address. He will discuss the present situation in group A&S.

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Working with Mr. Crews are members of the HIAA forum subcommittee developing the program for the meeting are Arthur M Browning, vice-president in charge of group of New York Life; Lawrence M. Cathles Jr., vice-president of the group division of Aetna Life; Stefan Hansen, director of group of Great-West Life; Charles G. Hill, vice-president of Massachusetts Mutual, and Ralph C. Knoblock, 2nd vice-president of Washington National.

Insurance executives from member companies in the U. S. and Canada concerned with group A&S will hear reports and discussions of the latest developments and experience in all phases of group underwriting. Other subjects to be covered include the current state and national legislative picture by Robert R. Neal, general manager of HIAA; Health Insurance Council by Howard A. Moreen, vice-president of Aetna Life, council chairman, and Health Insurance Institute by James R. Williams, vice-president of HII.

A series of 10 workshop sessions will be held the mornings of Feb. 18 and 19. Topics include professional association and trade association group insurance, comprehensive major medical, insuring small groups, group reserves, salary continuance and key-man insurance, and retired employes and group conversions. Attendance at the workshops will be limited to those signifying in advance that they wish to participate in a particular session.

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Hartford A.&I. Shifts Pacific Coast Personnel

Hartford Accident & Indemnity has made several changes in its Pacific northwest territory. Leon J. Schexnayder, who has been a casualty underwriter in San Francisco, has been transferred to Seattle as casualty underwriter, succeeding Clyde Vannatta who was transferred to broader duties in the Pacific department headquarters at San Francisco. David J. Dunbabin, special agent in Seattle, has been transferred to special agent duties in the western Washington field outside of Seattle, succeeding Jack K. Carlsen, who is being transferred to another field. Robert C. Carlton has been appointed special agent in Seattle to succeed Mr. Dunbabin.

NEWS OF FIELD MEN

Aetna Fire Names Two Transfers One In Field'

Aetna Fire has appointed William G. Carr special agent in western Massachusetts and Vermont, Robert E. Walker special agent in Oklahoma, and has transferred Charles H. Riley, special agent, to Portland, Me., succeeding Emery P. Worthen, resigned. Mr. Carr is succeeding Mr. Riley and will make his headquarters in Springfield, Mass. Mr. Walker will be in Oklahoma City.

Mr. Carr has been survey engineer in the home office since joining Aetna Fire in 1946. Mr. Walker had been south Texas special agent of National of Hartford since 1954. Previously he was in general agency work for a year, an Oklahoma City local agent for 18 months, and with Oklahoma Inspection Bureau for a year.

Mr. Riley joined Aetna Fire in 1950. He trained in the casualty department at Pittsburgh, and in 1953 was appointed special agent in western Massachusetts and Vermont.

Standard Accident Names Drew To Detroit Field

Frank L. Drew Jr. has been named field representative for the Detroit area by Standard Accident and planet.

Mr. Drew entered insurance in 1939 as marine underwriter for Home. In 1948, he joined American International Underwriters and became managing director in Pakistan and India. He was a special agent with American Home in Michigan from 1955 until going to Standard Accident last October where he was assigned to the company's training school prior to becoming assistant instructor of the education department.

W. E. Johnson New Head Of Ore. Fire Underwriters

Warren E. Johnson, Home, was elected president of Oregon Fire Underwriters Assn. last week to succeed Richard A. Tucker. Also elected were: Fulton A. Olsen, U.S.F.&G., vice-president; Ivar L. Anderson, Landis Pelletier & Parrish, secretary; Robert J. Deardorf, Phoenix of Hartford, treasurer; Carl Small, Great American; Carl Yerkes, Pacific National, and George Rolander, American, trustees.

Hartford A.&I. Appoints Alexander Fla. Special

Hartford Accident has appointed Harold R. Alexander special agent in Florida, with headquarters in Orlando. Since 1952 he has been manager of the casualty and surety department of Whitner & Lawrence general agency of Jacksonville, which recently was purchased by New York Underwriters of the Hartford group. He has been in casualty insurance and surety bonding for more than 35 years.

Mitchell Joins Cornbelt

John R. Mitchell has joined Cornbelt and Cornbelt Life as field representative in northern Illinois. Mr. Mitchell is a 20-year man in insurance with experience in the company and agency ranks. He has been with Hartford Fire, Scottish Union and North British. His headquarters will be at Chicago.

To Fete Paul Terry

Missouri Fire Prevention Assn. will hold its winter meeting at Jefferson City Jan. 16. One of the special events will be a testimonial dinner honoring Paul W. Terry, retired general manager of Missouri Inspection Bureau.

Rogo Joins National In Wisconsin Field

Robert A. Rogo has been appointed special agent in Wisconsin for National Fire. He will travel the northern part of Wisconsin and the Upper Peninsula of Michigan and will have headquarters at Eau Claire, Wis.

Mr. Rogo was with Fire Insurance Rating Bureau at Milwaukee from 1951 until 1954. Since that time he has traveled in Wisconsin for another stock company. He will be associated with fire and marine manager T. L. Mulcahy and special agents W. D. Hoppenjan and D. F. Quinn at Milwaukee.

Form Greater Washington Insurance Field Club

Greater Washington Insurance Field Club, composed of field men in the District of Columbia, Montgomery and Prince Georges counties, Md., Arlington and Fairfax counties, Va., and the city of Alexandria, Va., has been organized by Delaware, Maryland, District of Columbia Field Club.

Harold W. Osterlund of Travelers is president. Other officers are Charles V. Gordon, Aetna Casualty, vice-president; George P. Schultze, Home, secretary, and Everett W. Martin, Hartford Fire, treasurer.

General Accident Names Western Mass. Specials

General Accident has appointed David E. Fallon and Roland H. Winterton special agents in western Massachusetts out of Springfield.

Mr. Fallon entered insurance with Springfield F.&M. in 1950. He has been western Massachusetts special agent of Dubuque F.&M. since 1955. Mr. Winterton joined New Hampshire Fire in 1940, and for 10 years had been Baltimore special agent of that company.

Barrett Elected President Of S. C. Fieldmen's Assn.

South Carolina Fieldmen's Assn. has elected R. W. Barrett, St. Paul F.&M., president. John E. Darling, Aetna Fire, was named vice-president and L. L. Arthur, Great American, secretary-treasurer. The new officers will be installed at the annual meeting Jan. 17.

Appoint Kenny Phoenix Of London Special Agent

Phoenix of London has appointed Joseph A. Kenny special agent in Indiana. He previously was a payroll auditor. He will make his headquarters at Indianapolis.

Great American Appoints Pettigrew At Valparaiso

Norman Pettigrew has been named special agent of Great American in Indiana with headquarters at Valparaiso. During the last 1½ years Mr. Pettigrew has been in the company's western department in Chicago. He will be associated with Special Agent Charles E. Nye.

Klippel Heads Sparks Club

Sparks Club of Pennsylvania, Maryland and Delaware, at the annual meeting, elected Robert F. Klippel, New Castle Mutual, president; Albert J. Bush, Laird-Hagee Co., vice-president; Warren G. King, Donegal Mutual, secretary, and Henry W. Graybill Jr., Pennsylvania Mutual Inspection Bureau, treasurer.

New directors are John A. Bogar, Chester County Mutual, and Jessee W. Pearson, Penn Mutual, immediate past president.

The club conferred honorary membership on John N. Wilkinson, a retired charter member.

Name Ward State Agent Of Northern Of London

Richard A. Ward has been named Wisconsin state agent of Northern of London to succeed William J. Ronayne, resigned. Mr. Ward will make his headquarters at Milwaukee. He formerly was a Wisconsin special agent of National Union.

California Blue Goose To Entertain R. L. Finerty

R. L. Finerty, Most Loyal Grand Gander of Blue Goose, Will be the guest of honor at a luncheon of the California pond Jan. 17 at Los Angeles. Commissioner McConnell will be guest speaker.

North British Transfers W. K. Williamson To Texas

North British has advanced Walker K. Williamson to state agent in northeast Texas, with headquarters at Dallas. He has been a special agent of the group in Oklahoma.

N. H. Fire Promotes Two

New Hampshire Fire has advanced Special Agents Roland F. Drew and Walter D. Crawford Jr. to state agents. Mr. Drew travels western Massachusetts and Mr. Crawford northern and eastern Massachusetts.

Buddy Blattner, a sports broadcaster at St. Louis, will speak at the Jan. 13 meeting of **St. Louis Blue Goose.**

Chesapeake Pond of Blue Goose will hold its first annual ball Jan. 24 at Baltimore.

A & S

HIC Offers Information Bulletins To Hospitals

Problems of mutual concern to hospitals and insurance companies will be reviewed in a new series of information bulletins to hospital administrators being published periodically by Health Insurance Council.

Entitled "Health Insurance—Information for Hospitals," the bulletin service will be distributed to 4,000 administrators in general short-term hospitals throughout the country and to executive secretaries of state and local hospital organizations. The bulletins will analyze the nature and types of A&S coverage. Administrators will be apprised of the development of new forms of coverage, with emphasis on experimental activities designed to provide more adequate protection for older people, impaired risks and people living in rural areas. Over-insurance, small group coverage and the broadening scope of major medical also will be explored.

Md. Blue Cross Seeks 22% Rate Increase

Maryland Blue Cross has applied for permission to increase its rates an average of 22%, while benefits would remain the same. Blue Shield is not seeking a rate increase.

Under group plans, the individual rate would be increased from $2.10 to $2.60 per month, while the family rate would climb from $5.30 to $6.40. For non-group and direct payment subscribers, the quarterly rate would be increased from $7.50 to $9.90 for an individual and from $17.70 to $21.60 for a family.

Flu Bug Lives Up To Notices, Survey Shows

The much publicized flu bug has lived up to all of its advance notices according to a recent survey made by Mutual Benefit H.&A. and United Benefit Life.

Donald J. Schonberg, vice-president and chief statistician, revealed that the incidence of influenza claims during September, October and November of 1957 were more than three times greater than for the same three months of 1956. Mr. Schonberg said: "Our figures show that the average benefit paid per claim for the cases of the Asian flu is nearly $90 as compared to the average of about $50 for the domestic variety. From these figures, we must assume that attacks by the Asian flu require a longer period of convalescence with additional treatment and medication."

Relative to reported claims, Mr. Schonberg revealed that "only 5 to 7% of all of the influenza claims were specifically diagnosed as being of the Asian variety during the above mentioned period." He emphasized that the severity of the flu could not be overlooked as health experts predicted another outbreak in February of this year equal to or even surpassing the epidemic that has just recently passed.

Rule State Can't Tax Premiums Paid To Non-Admitted Insurer

Pennsylvania may not tax premiums paid by either individuals or corporations in the state to insurers not authorized to write business there, Dauphin county court in Harrisburg has ruled in deciding a test case filed against Millers Mutual of Harrisburg.

Pennsylvania sued Millers Mutual in an attempt to collect $949 in taxes which the state claimed the insurer owed on the 1954 reinsurance premiums it paid to non-admitted companies.

The court ruled there is no valid basis at the present time upon which the tax claimed by the state in this case can be sustained.

Moyer General Agency Adds Casualty Facilities

The R. Kirk Moyer general agency of New Orleans has named John Montelepre manager of its new casualty and surety department. The agency also has assumed management of the general casualty lines business of Birmingham Fire & Casualty in Louisiana.

Mr. Montelepre has been casualty and surety manager of Continental Casualty in New Orleans. Previously he was a special agent of National Fire in Louisiana for six years.

Buyers To Hold Seminar

Chicago chapter of American Society of Insurance Management will hold a one-day seminar, Feb. 11, at Hotel Conrad Hilton. Featured speakers and their topics are: Howard J. Bleser, superintendent of special risks Hartford Fire, industrial property floater; W. S. Ellis, fire manager Royal-Globe, business interruption; and John T. Even, executive assistant W. A. Alexander, liability for property in care, custody and control.

Kemper Enters Life Field With Hook Up Of Fidelity Life Assn.

Kemper companies have entered the life field with the hook up of Fidelity Life Association of Fulton, Ill., with the fire and casualty group after more than three years of close working affiliation.

A number of Kemper officers and directors have held top positions with Fidelity Life for the past few years. Donald C. McDowell and Walter C. Below, both direcors of Lumbermens Mutual Casualty, are chairman and president, respectively, of the life insurer. N. C. Flanagin and Chase M. Smith, officers of Kemper companies, have been directors of Fidelity since 1954, and William H. Rothermel, formerly on the Kemper home office staff, has been with Fidelity since 1955 and has been executive vice-president since last September.

Fidelity operates in 17 states and has assets of $21,184,539 and insurance in force of $88,675,596.

Hartford Fire Makes Southern Department Promotions, Changes

Hartford Fire has made several promotions and staff changes in the southern department headquarters at Atlanta.

Manley Stockton, assistant manager of the southern department in charge of auto and inland marine, has been named to supervise the combined auto underwriiting department.

Ralph T. Skelton, formerly in charge of claims of Hartford Accident, has been advanced to assistant manager of the casualty and surety division.

C. C. Cromwell, general adjuster in the Hartford Fire loss department, has been put in charge of the consolidated claim department.

E. L McMurray has been appointed to the new position of resident comptroller. George T. Hunt is office manager and is in charge of southern department personnel.

American Appoints Grant Advertising Co

American has named Grant Advertising Co. to handle its advertising program, it has been announced by E. R. Hurd Jr., superintendent of advertising and sales promotion of American, and Paul L. Bradley, vice-president and general manager of Grant New York.

Approve 31% Increase In N. H. Farm Fire Rates

New Hampshire has approved a 31% increase in farm fire rates filed by New Hampshire Board of Underwriters. Insurers had asked for a 40% increase. The companies reported they were paying a total of $1.40 in losses and expense costs for every $1 in premiums. The rate change is based on five year experience.

Evans Retires From NYFIRO

J. Clifford Evans, chief inspector of New York Fire Insurance Rating Organization in the Syracuse district office, and a veteran of 40 years' service with NYFIRO, has retired.

A. G. Harrison, for many years a partner in the C. D. Harris & Sons agency of Louisville, has withdrawn from that partnership to set up his own office in the Taylor building. He is a past president of the Louisville board.

Thurman Warns He'll Ask Ky. Legislature For Control Over Credit Life

Commissioner Thurman of Kentucky has put companies doing business in that state on notice that he will ask the 1958 legislature for authority to curb abuses and regulate rates charged for credit life insurance.

Outlining his views to some 500 representatives of insurance companies, finance companies, organized labor and legislators at a hearing in Frankfort, Mr. Thurman said: "We propose to have introduced in the 1958 general assembly a bill to guarantee the honesty and integrity of credit insurance, to correct and prevent abuses that are known to us, and to guarantee that the people of Kentucky are treated fairly."

Some of the abuses that Mr. Thurman listed are:

- Non-disclosure to the borrower of the types of insurance and the cost of each coverage.
- Premiums are charged that are not reasonable in relation to benefits provided.
- Failure to make refunds to the borrower upon cancellation and prepayment of the indebtedness.
- Faulty processing of claims.
- Packaging of insurance with non-insurance services.
- Inclusion of coverages of a severely limited type.

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Credit insurance, virtually unheard of a decade ago, had grown more than 4,000% since 1945, he said. He reported that a national survey has disclosed that a four-state region which includes Kentucky leads the nation in credit life commissions with 36.79% while the national average was 9.1%. Although competition in the insurance business usually results in better service and reduction in costs to the insuring public, reverse competition has developed in credit life because the higher the rates charged by the insurance company the larger the commission paid the lender.

During the hearing it developed that Mr. Thurman had submitted a draft of a proposed bill to an unidentified person who in turn had it reproduced and widely ciruclated. This draft bill proposed to put a ceiling of 50 cents a year per $100 on credit life premiums for reducing term policies. A ceiling of $1 a year per $100 was to be the ceiling on level term credit life.

Representatives of a number of large companies came out in favor of a law imposing such a ceiling on premiums, but representatives from smaller insurance companies and finance organizations objected on the grounds that fixing maximum rates by law could run them out of business. The smaller companies write credit insurance on an individual basis, hence, they argued they cannot spread their risks as can those that write group insurance. Of necessity, premiums on individual policies must be higher, they said.

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The **Dobson** and **McOmber** agencies of Ann Arbor have been consolidated and moved into a newly completed building at 2361 East Stadium boulevard. William T. Dobson and F. N. McOmber are the principals. Mr. Dobson is a former president of Ann Arbor Assn. of Insurance Agents and is currently treasurer of the state association. The McOmber agency was founded in 1893 by Mr. McOmber's father and the Dobson agency was established in 1924.

Multiple Line Is Essential To Development In The Business

(CONTINUED FROM PAGE 2)

ages. It is generally admitted that by covering all of the exposures of insured in a single contract insurers eliminate gaps in coverage, simplify accounting and statistical procedures and produce certain benefits from the combination. Consequently, multiple line has had a considerable impact upon insurance contracts.

As to operating results, Mr. Perlet pointed to the mergers which would not have taken place without multiple line underwriting. In most cases these mergers have resulted in lower operating expenses and more efficient operation, which is all to the good.

Generally speaking, these mergers would have had a favorable effect on operating results in the absence of other factors. However, these other factors have clouded the picture so much at the present time it is difficult to tell the exact effect the mergers have had on operating results.

Many companies have set up so-called multiple line departments, Mr. Perlet observed. This does seem to be a trend. However, when the structure of the department is examined, it turns out usually to be composed of fire, inland marine and casualty personnel. In other words, companies are bringing all segments together into a single department, but they do not seem to be making progress in involving men who are equally expert in all three fields. This is purely a statement of fact, he noted, and not a criticism. With all the ramifications of the business, it is physically impossible for one man to master all fields to the extent necessary to do a competent underwriting job.

Certain companies a few years ago attempted to make a full multiple line underwriter out of one man, but are now abandoning this approach and going back to the traditional method of an individual underwriter for each line, though they may work side by side in the same department. Some companies attempted to make all around adjusters out of staff adjusters but abandoned this is favor of the former method of separate adjusters for first party and third party claims.

Probably one of the dividends accruing from the formation of multiple line departments is that while one underwriter may not become intimately acquainted with the problems of another line, he comes to know enough about them to appreciate them, Mr. Perlet observed. Consequently, much of the historical enmity between underwriters in different lines is disappearing. Also, with an appreciation of the problem of the other fellow has come a little better understanding of his rating methods, etc. On acquaintance, he pointed out, the other fellow does not seem quite as stupid as he was thought to be.

Under present unfavorable circumstances in the business, it is easy to blame multiple line as the scapegoat, which it is not. It has not saved the industry, but it should not be made the whipping-boy, Mr. Perlet emphasized.

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One attraction of multiple line when it was being discussed was that it would iron out the experience of the company between fire and casualty; when fire lines were good, casualty lines were bad, and vice versa. Suddenly, however, the business finds itself with bad experience in both major lines. But here again multiple line has not been the cause but is an innocent bystander.

The current situation makes clear one thing that ought to be kept in mind for the future, Mr. Perlet warned—that is, when perils are combined into a single policy they will not suddenly produce fewer losses than when written in individual or specific policies. Quite the contrary result may be expected. The multiple line contract should tend to make people more loss conscious, for one thing because of the way it is sold, as giving complete protection, etc.

If the price of the package policy is discounted, there must be offsetting features, or insurers will be in trouble, he said. Among such offsetting factors are greater insurance to value, elimination of adverse selection, savings and expense, etc. But it is easy to become enthusiastic about discounts, especially by those who are sales-minded.

He said he believes this is a business of averages, always has been, and always will be. The current situation is not due to the fact that the business does not have last minute statistics, but to the misuse of statistics developed over the years. Mere premium volume alone is not enough here.

He thinks that rather than using

last minute statistics, the business should use an average developed over several years. A short period of time presents a distorted picture, and the business has been looking at too short a time rather than too long a time in making rate adjustments.

This is one of the major factors that has contributed to the present plight of the business, he declared. Some companies looked at their experience for a few months or a year and found it was very good and immediately started to cut rates. If they had looked at five years or, even better, at a 10-year period and adjusted their earned to current rate levels, they might have found that such a cut was not justified. The experience over a reasonable length of time is the most solid rock to which the business can tie. This is not to say that experience should not be tempered by consideration of factors which indicate a long term trend, but it should not be disturbed by "seasonal factors."

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If insurance operated in a free rather than a regulated economy, short term changes might be feasible. But when it operates in the relatively rigidly price controlled economy, it must necessarily use experience over a long period of time. Otherwise, he said, the business will lower rates quickly when the loss experience is good, but will have traditional difficulty in getting rates increased when loss experience is bad.

He said that in 1956 the combined dwelling package premium was about $225 million, which was 20 to 25% of the total 1956 dwelling premium, and the 1956 loss ratio on the package dwelling business was 40 to 50%, not too unfavorable.

He is enthusiastic about multiple line underwriting, but he believes that others sometimes have tended to become over-enthusiastic. Multiple line has its proper place in the business and that is a very important place, but it is not magic.

The most successful package from a sales standpoint has been the homeowners, Mr. McCullough pointed out. He said he could think of no other policy which rose to $150 million a year in the short space of four years, with the comprehensive dwelling policy close behind. The idea behind these and other contracts is to sell more insurance, which is still sold and not bought.

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The package policy gives more protection, not just in terms of newfangled perils, such as sonic boom and jet aircraft, but against the old-fashioned hazards of fire, windstorm, explosion and law suits.

But if package policies are to fulfill their function, the business should think less about rate savings and more about premium increases, Mr. McCullough warned. There have been agents who used package policies simply to rewrite existing business in approximately the same amounts. This may keep such agents in the office under cover on rainy days, but has little other advantage.

Mr. McCullough observed that most package policies are sufficiently complicated that they need study by the producer and explanation to the customer. Though it may not have been planned this way, the fact produces a good result. It means that the agent, the best salesman in the world once he gets out of the office, has to go and call on his customer. In the process, he winds up selling more insurance and increasing his premium income. That has been proved time after time by producers who really mine prospect files for package policy business.

There are tremendous marketing advantages to package policies. However, there are dangers, and one is a rate level that is dangerously low. In fact, he said, the business can expect rate adjustments on residential packages, due to inflation that is affecting all lines and also to correct for over-optimism in establishing the intital rating formula.

Yet the loss ratios on package policy business are not bad. companies are losing money on the old-fashioned standard policies such as automobile liability, fire, etc.

Another problem in the development of package policies is the danger of competing on terms of coverage to the point of getting it too broad to make it insurable at a reasonable premium. It is always a temptation to add some intriguing fringe coverage that would heighten sales appeal, such as windstorm coverage on trees, which once was gratuitously included

in certain packages. Some current packages apparently are a little too generous on certain types of rain and water damage, he said. These are hard to correct. It is easier to adjust slightly inadequate rates than it is to ask producers to renew on a more restrictive basis.

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Mr. McCullough predicted more package developments in the future, though perhaps the pace will be more deliberate. In most cases, the policy will be written with a particular type of customer in mind rather than trying to combine several perils for all types of customers. In the past, package policies have been designed for the dwelling, the commercial stores and the manufacturer. Wouldn't the next most logical development be for other types of customers such as the hotel, dry-cleaner, contractor, owner of mobile home trailer, etc?

Some further experiments can be expected in residential contracts, Mr. McCullough believes, such as workmen's compensation on domestic servants and a well conceived accident policy. A few companies are dabbling with residential contracts that include automobile, and one company has done something about selling a life contract as part of a residential package to pay off the mortgage in the event of the death of the breadwinner.

Mr. McCullough also sees ahead greater use of the installment idea. Package policies generate premiums so large they inhibit sales of annual or term contracts paid in advance. In life insurance there has recently been a decided trend toward monthly payment policies, pre-authorized check plans and premium for deposit plans. Also, he thinks, there is a shift to easy payments in fire and casualty. The time period that everything points to is one month.

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Multiple line underwriting has not yet furnished the pot of gold at the end of the rainbow as far as insurance company stockholders are concerned, Mr. Davis said.

In fact, Mr. Davis added, most companies still are chasing that pot of gold rainbow, after three years of the worst underwriting depression in insurance history.

Mr. Davis predicted that multiple line underwriting will sink some insurers unless the business begins to earn some money—fast.

The practical effect of multiple line underwriting has been to make the rich companies richer and the poor companies poorer; that is, those already possessing multiple line facilities through affiliates have done far better than those starting from scratch. It has been a heartbreaking job for the latter, finding the personnel, training the organization, and penalizing surplus to set up loss reserves. The stockholders have paid and paid and paid, he declared.

Small wonder that shares of companies that only recently have gone multiple line are selling at their lowest prices in relation to fundamental values (investment income and net worth) since 1932. That was not a very happy year, either, Mr. Davis reminded.

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Yet to have nipped multiple line underwriting in the bud, in the mid-40s, would have been as unrealistic as a ban on the atom bomb, he said. The concept, in reality an ancient one, represented something new in America and hence desirable. Companies without multiple line facilities had the unenviable Hobson's choice of being "damned if they did and damned if they didn't." But this is how progress is made—at least the hapless stockholders and unhappy managements hope so.

The answer to the multiple line underwriting problem is a revival of underwriting profits upon which insurance survival itself depends, he declared. Increased volume will help lower the expense ratio. Greater experience in underwriting will help the loss ratio. But above all more realistic pricing policies must be followed by the business as a whole, for even experienced underwriters have lost money in extended coverage and auto lines since World War II. Some answer must also be found to the new methods of low cost distribution which are plaguing old and new multiple line operators alike.

With multiple lines underwriting now practically mandatory, the problems must be solved if the business is to remain healthy and conducted multi-unitwise.

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The booming stock market has tended to obscure the gaps in surplus caused by poor auto experience and the constant build up of casualty loss reserves, Mr. Davis observed. At the end of World War II, policyholders surplus of the stock companies was 131% of premiums written. By 1948 it had fallen to 70% and by 1953, despite millions of new capital raised, was only 74%. At the end of 1956 policyholders surplus had risen to 98% of premiums written, a comfortable ratio.

The story, however, will be different this year and next, he said. Premiums are rising with rate increases. Surpluses are falling with heavy underwriting losses and a declining stock

market. The squeeze is on. The full impact of multiple line underwriting will be to throw out of the business or into mergers companies that possess old and true reputations but that are unable to make the grade in the new multiple line world. This is what will happen, he predicted, unless the profit picture changes—and does so substantially and rapidly.

Mr. Davis expressed the idea that if multiple line underwriting had been introduced during a stable period in the country's economic history, in the decade when commodity prices, the cost of living, etc., was stationary, the results might have been different. At least the capital investment in multiple line operations would have borne fruit sooner.

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He said that the past decade has witnessed three of the worst casualty cycles on record. Since casualty, and automobile in particular, has assumed a greater and greater proportion of total premiums, the impact of these down-cycles has been increasingly painful. The companies have lost more than $250 million dollars in all liability in the past 10 years. Since going multiple line has meant in the main that fire companies have gone into casualty and automobile, it is no wonder stockholders are unimpressed with the results. Indeed, some stockholders are asking management that if they were getting into new business why didn't they get into a profitable one, life insurance?

Mr. Davis pointed out that of 62 leading fire and casualty companies, 42% have gone into the capital market, and stockholders for new funds since World War II. In the past 10 years investors have been called upon for about $150 million in new capital to finance the expansion of fire and casualty insurers. The funds have been used to finance the enormous expansion of fire and casualty premiums, an expansion of more than three times since 1945. Only about 15% of the companies desired capital to branch out into another line of business, fire or casualty. Practically all of the capital raised was in the form of common stock, preferred stocks outstanding in insurers having declined in recent years.

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Mr. Davis put in a good word for common stocks, which recently have been under something of a cloud. He pointed out that about every decade—in 1946, in 1937, in 1929, in 1917, and in 1907—that stock market seems to be subjected to emotional selling waves that endeavor to discount the potential trouble ahead. Often these declines turn out to be false moves, as in 1946 and in 1937. People worried about something that didn't happen, though in 1929 they didn't worry enough.

However, common stocks in strong, growing American companies represent sound investments for insurers and a hedge for them against what appears to be the inevitable inflation of the future, Mr. Davis said. Had it not been for the common stocks held by the fire and casualty companies, the ratio of policyholders surplus to premiums written at the end of 1956 would not have been 98% but closer to 50%, he declared.

Two Are Named BY NFPA

National Fire Protection Assn. has appointed Frank Stetka of Washington, D. C., electrical field service engineer, and Richard E. Stevens of Medfield, Mass., an assistant technical secretary.

Mr. Stetka succeeds the late Charles L. Smith. He will assume his new position Feb. 1. He will make his office in the Chicago headquarters of International Assn. of Electrical Inspectors, and will be secretary of the electrical section of NFPA, secretary of the NFPA electrical correlating committee, and national electrical code consultant to the international association.

Mr. Stevens joined NFPA in 1950, and has been serving as a staff engineer. He is a member and assistant secretary of Society of Fire Protection Engineers.

Employers Offers New Fire Policy Calculator

Employers Liability group is offering to all agents, through the December issue of *Pioneer*, its field magazine, a new calculator for use with fire policies, based on the revised 1957 fire short-rate table and fire installment plan (installments 88% of one year premium). The calculator, produced by Minute-Man Calculators of Lexington, Mass., is the first and only culator to appear on the market for use with all one, three and five year fire policies, that automatically includes interest charges on installment policy calculations.

An order blank is included in the December *Pioneer*. Additional blanks may be obtained from the company's home office advertising department, 110 Milk street, Boston 7, or from any Employers Liability group field office.

The calculator, designed by an insurance man and work simplification expert, and is constructed of durable vinylite plastic. It is circular and measures 11 inches in diameter with 27 easy-to-read scales. The calculator carries Employers "Man With the Plan" imprint and is available at a reasonable cost.

Call Meeting On Mass. Poor Fire Risk Problem

Commissioner Humphreys of Massachusetts has called a meeting with representatives of fire insurers to discuss the problem of poor risks and high frequency of fires which reportedly has resulted in the companies not renewing policies on homes and other buildings in the Roxbury, South Boston, West End, Chelsea and Revere areas near Boston.

Benjamin M. Hermes, general manager of New England Fire Insurance Rating Bureau, said he has not heard of any wholesale withdrawals by the companies, but acknowledged that some were retrenching on renewals because of unfavorable underwriting experience.

Casualty & Surety Assn. Of Conn. Elects Murphy

Edwin Murphy of the May, Potter & Murphy agency, Hartford, has been elected president of Casualty & Surety Assn. of Connecticut. Other officers are Herbert R. Bland of R. C. Knox & Co. agency, Hartford, vice-president; William H. Wiley, executive secretary Connecticut Assn. of Insurance Agents, secretary-treasurer, and James B. Tanner, Hartford manager of Aetna Fire, chairman of the executive committee.

Ohio Mutuals Merge

Farmers Mutual Fire of Dayton and Buckeye State Mutual of Covington, O., have been merged. The surviving name will be Buckeye State Mutual and the officers of Buckeye State are in charge of the merged organization. Five officers and directors of Farmers Mutual Fire become directors of the new company.

The offices of Farmers Mutual are now a branch office of Buckeye State.

Holds Parts Of Reinsurance Contract Are Against Public Policy

(CONTINUED FROM PAGE 5)

set off and the balance only shall be allowed or paid, . . ."

The Pink and Consolidated cases hold that salvage collected by a reinsured constitutes a "trust fund," the reinsured holding that portion of it which belongs to the reinsurer as a trustee; that the fund cannot be offset against debts created by a contractual obligation of the insurer to pay its proportionate share of losses on risks which it has reinsured, inasmuch as such debts are not "mutual debts" within the meaning of section 538; that is to say, they are not "due to and from the same persons in the same capacity," nor are they "held in the same right."

It is true, as respondent points out, that the reinsurance agreements construed in the Pink and Consolidated cases, upon which the superintendent relies, do not contain provisions similar to the set-off provisions here involved. It is also true, as the superintendent asserts, that the reinsurance agreement in suit was entered into after the Pink and Consolidated cases were decided. And it may also be true, as the superintendent contends, that the intent and purpose of the agreement was to circumvent the rulings of the court of appeals in the cases cited. But, whether that be so or not is, in a sense, beside the point. The important consideration, in my opinion, is whether the set-off provisions are contrary to the public policy of this state.

Public policy has been defined as that principle of law which holds that no person can lawfully do that which has a tendency injuriously to affect or subvert the public interests or the public good. Consequently, any contract or any provision in a contract which has that tendency is illegal and void (Kirshenbaum vs General Outdoor Adv. Co., 258 N. Y., 489, 494; Flegenheimer vs Brogan, 284 N. Y., 268, 272; 17 C.J.S. 563, sec. 211). And generally speaking "The public policy of this state when the legislature acts is what the legislature says it shall be "(Messersmith vs American Fidelity, 232 N. Y., 161, 163).

It is well settled that, under the public policy of this state, the assets of an insolvent corporation constitute a "trust fund" for the payment of corporate debts, and equity requires that they be equally distributed among all creditors (Bank of U. S. vs Braveman, 259 N. Y., 65, 70; Marr vs Bank of West Tennessee, 44 Tenn., 471, 479). And while at common law an offset will be allowed where the litigation is between the same parties (Bank of U. S. vs Braveman, p. 70), in equity, a set-off is not a matter of right, but a matter which rests largely in the discretion of the court (Beecher vs Vogt Mg. Co., 227 N. Y., 468, 473; Reisman vs Independence Realty Co., 195 Misc., 260, 263). And while it will be allowed where there is some equitable ground therefor and its allowance is necessary to promote justice, it will not be allowed where it would be inequitable to do so, as, where the rights of creditors have intervened and a set-off "would impair or destroy the equities" of others or "would result in a preference or direct advantage to the debtor rather than equality among creditors." Consequently, any contract or any provision in a contract which has any such tendency is against public interest and unenforceable.

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The principle, as laid down in an early case, is that "voluntary transfers of property to creditors in satisfaction of debts by insolvents, or by debtors in contemplation of insolvency or bankruptcy" are void as against public policy which requires "equality among creditors," the maxim being "equality is equity." And it may be added that the policy implicit in this principle has been consistently adhered to by the legislature.

Applying these principles, it would seem clear that so long as the parties to the reinsurance agreement are solvent and going concerns, debits and credits, whether mutual or not, may be set off in accordance with the provisions of paragraphs 13 and 19; but where one of the parties becomes insolvent and the rights of creditors have intervened, then those provisions becomes inoperative and unenforceable. For a set-off, under such circumstances, would result in a preference or direct advantage to the other party and would thus be contrary to the public policy of this state, which demands equality among creditors, and which requires that there shall be no set-offs except in cases of mutual debts or mutual credits, as provided in section 538.

It follows that, in view of the insolvency of Preferred, it would be inequitable and unjust to permit New Amsterdam to set off its general claims against Preferred's share of the salvage funds, and that, inasmuch as the set-off provisions of paragraphs 13 and 19 are contrary to the public policy of this state, they are unenforceable and void.

No case has been called to my attention in which this principle has been applied to contracts similar to the one under consideration. But the principle itself is well established and has been frequently applied in cases of composition agreements which condemn all such agreements which confer a preference or advantage upon some particular creditor not enjoyed by all creditors because "perfect

equality" among all creditors is not maintained under such circumstances.

In principle, I fail to perceive any distinction between the agreement here involved and composition agreements. If the agreement results in a preference or advantage to some particular creditor not enjoyed by all creditors, it is against public policy. The principle is particularly applicable here; for it is quite apparent that the set-off provisions in the reinsurance agreement were entered into "in contemplation of insolvency or bankruptcy" and were to become operative only in the event of the insolvency or bankruptcy. Such an agreement or understanding is contrary to the long established public policy of this state.

The motion is in all respects granted except that, since the allowance of interest is discretionary, it will not be allowed.

Eight Appointments Made By Michigan Millers Mutual

Eight new officers have been appointed by Michigan Millers Mutual.

Charles C. Webb, manager of the California branch at Glendale becomes resident vice-president there. Clinton B. Fitch, manager of the mill and elevator department, and Charles A. Rathbun, assistant manager for Michigan production, become assistant vice-presidents.

Appointed assistant secretaries are Richard E. Hewett, assistant agency supervisor; Harold H. Haun, manager of Michigan underwriting; W. Frank Whipple, manager of the casualty department; Russell D. Keitchen, manager of general business underwriting, and Bruce D. Pettit, manager of the loss department.

Elect Neumann To Head Northern Virginia Agents

Northern Virginia Assn. of Insurance Agents has elected Jack Neumann, Arlington, as president for the coming year. Other new officers are Don L. Bauman, Arlington, vice-president and Edward Hobbs, McLean, secretary-treasurer.

Elected to the board are Edward Cooper, Arlington, Clyde Lamont, Alexandria, and Robert Taylor, Annandale.

N. Y. Proposal Would Require Prior Approval Of Advertising

A bill to require companies selling life and A&S policies to obtain the superintendent's approval before publishing advertisements, distributing signs or pamphlets or making other public announcements has been filed for the 1958 New York legislature's consideration by Sen. Mackell of Rego Park. The proposal does not come from the insurance department. Similar bills have been introduced several times in the past.

Sen. Marro of Manhattan has filed a proposal to create in the state executive department a medical care division to recommend a medical prepayment plan through insurance for employes and self-employed persons, using public funds to care for indigent persons. Both measures also will be introduced in the assembly.

Cleveland Agencies Merge

Lenihan & Co. and Calder-Gorton & Co. agencies of Cleveland have been merged into Lenihan, Gorton & Co. with William B. Gorton as president. T. V. Lenihan is vice-president and treasurer, and Arthur Dreyer of Lenihan & Co. becomes executive vice-president. Other officers are J. Walter Pritchard and Charles A. Calder, vice-presidents, and H. O. Ziegler, secretary.

N. Y. Report Suggests Ways To Solve Abuses In Excess Field

(CONTINUED FROM PAGE 2)

charge per policy, "for service." Another broker told the department that for the two years 1954-55 he had charged $12,000 a year for service and had spent about $7,500 a year. Mr. Shalleck questioned whether even the $7,500 actually was spent as the broker indicated it was. One nonadmitted company engaged primarily in surplus lines issues certificates, or cover notes, as evidence of coverage. The broker then collects the state tax, but in many cases this is not the 3% required by law but some flat charge, such as $25, which brokers pocket.

Here Mr. Shalleck recommends revocation of license for charging more than actual expenditures by the broker above the premium fixed by the insurer.

Placing excess lines with an out-of-state company not licensed in New York or its own state or country is another abuse Mr. Shalleck describes in his report. He cites the example of a Newfoundland insurer not even licensed there but doing business in New York. Thus the excess broker in New York did not substantiate the authority of the nonadmitted insurer to write insurance. This practice can only result unfavorably for insured, Mr. Shalleck contends. The onus of investigation of the insurer's home authority, along with the financial stability and claim practices of the nonadmitted insurer, should fall on the broker, he urges. The broker should be held personally responsible if the unlicensed insurer lacks legal authorization at home to underwrite the risk. The affidavit which the broker must file with the department to be licensed should set forth what efforts he has made and what information he has obtained regarding the insurer's authority to write.

The department, according to the report, also has found brokers who are the principals and owners of nonadmitted companies. He cites several examples, including one of a broker who moved his operation to Pennsylvania after departmental investigation.

Mr. Shalleck recommends prohibition of this practice by regulation.

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Regulation should also clear up, he states, who, as between the excess broker and the nonadmitted insurer, is primarily liable for return premiums in case of cancellation. The broker should be made personally liable, Mr. Shalleck recommends.

Some of the "evidences" of insurance delivered by excess brokers do not indicate the name of any identifiable insurer. Insured who bought protection from one such firm has to send claims to the broker, located in the midwest. There is no undertaking by anyone to pay a judgment that might be recovered in New York. A large assortment of coverage is involved, according to the report—including garage keepers legal liability, paymaster robbery, open stock burglary, inside and outside and safe burglary, excess auto liability, products, manufacturers and contractors, OL&T, fire, water damage, extended coverage, etc. Mr. Shalleck does not believe all admitted insurers would refuse to write all of this business. Department inquiry revealed that the insurance department of the broker's home state claimed to have no jurisdiction.

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Here Mr. Shalleck recommends holding the excess broker in New York liable personally for any loss or claim under such coverage, with revocation of the broker's license if he fails to supply identifiable insurer name or names.

Though the law requires the broker to make diligent effort to get insurance from an admitted insurer and regulations call for the refusal of three such insurers before the business can be written excess, yet, Mr. Shalleck implies, this is not done, or it is done with insurers known not to write the kind of risk being placed, or a condition is attached which makes it impossible for the admitted insurer to write it.

Mr. Shalleck recommends tightening regulation of the broker on this point.

In addition, brokers should be prohibited from placing more than the excess in the nonadmitted insurer. Brokers contend that where they cannot obtain cover for all of the risk from an authorized insurer, they should be permitted to obtain the entire risk as excess. But the law says that only the excess over what is obtainable from authorized insurers may be written as excess. There has been general flouting of this limitation, the report states. Mr. Shalleck recommends revocation of the broker's license to cure this abuse.

Failure of nonadmitted companies to pay claims is one of the big problems challenging the New York department's ability to serve the state's insured, according to the report. Mr. Shalleck recommends the broker submit evidence of the nonadmitted insurer's ability to pay claims and its practice in doing so. Brokers should become guarantors of nonadmitted contracts, he suggests. In that way legitimate claims would be honored.

Excess line brokers frequently issue cover notes merely indicating to insured that they have procured the coverage from nonadmitted insurers and advising that a policy eventually will be issued. This is okay, Mr. Shalleck indicates, except that some of these notes are gotten up as "certificates" which simulate a policy. Regulation should specify the form of cover note and use of any other should be made the basis for license revocation, Mr. Shalleck recommends.

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Excess has been used to write fictitious groups at discounted rates, Mr. Shalleck points out. Groups of physicians, hairdressers, cosmotologists, etc., have bought such liability coverages as malpractice in this way. This is against department policy and probably against the law, the report states. The department has notified the market that malpractice group coverages cannot be written in this way simply because nonadmitted companies will write the coverage cheaper or because authorized insurers do not pay a commission to brokers. Mr. Shalleck recommends that the ban be extended on all group liability policies obtained in the unauthorized market because of lower rates.

The department has notified the excess market it cannot place A&S as excess but this should be made the basis for license revocation, Mr. Shelleck recommends.

His recommendations also call for more investigation by the broker of the financial stability of the nonadmitted insurer, observance of the law and regulation on affidavits from admitted insurers when the excess comes up for renewal, stronger action for incomplete affidavits, and a more thorough application for broker's license.

Schaber Resigns From Midwestern Indemnity

E. Y. Schaber, secretary-treasurer and claims manager of Midwestern Indemnity of Cincinnati, has resigned. He has been with the company since 1951 and has had more than 20 years experience in claim work.

T. E. White Retires

Thomas E. White, vice-president and general attorney in charge of the New York claim office of Fidelity & Deposit, has retired. Continuously associated with the New York claim organization for 46 years, he became general attorney in charge in 1931 and a vice-president of the company in 1935.

John F. Milliken has become a director and member of Bronson-Dennehy Ulseth agency at Chicago.

Enormous Amount of Legislation Affects Insurance Business

(CONTINUED FROM PAGE 4)

now law memorandums distributed to the members of the association related to the fidelity and surety line. These included a bill sponsored by the association in Arkansas to clarify bonding requirements on public and private works, which was enacted. California acted to permit use of bid bonds in connection with municipal improvements and Florida to make payment coverage mandatory in all bonds for public or private construction. In New Jersey there is pending a labor relations act which contains penalty provisions which might be detrimental to contract bond sureties. North Carolina passed a bill to permit all public bodies in effect to blacklist the surety if the claim is pending for more than 180 days. Oregon passed a bill extending time in which an action may be instituted against a public works contractor and its sureties from two years after supply of labor or materials to two after acceptance of the work.

Also, retainages were reduced in California on public works, in Illinois on rural post road contracts, in Ohio to 8% highway contracts, and in Pennsylvania on highway contracts.

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Legislation to require contractors to be licensed and give blanket performance bonds covering all the work undertaken was enacted in Utah. Several states adopted bills relating to prevailing wage rates, which broaden the liability of a contractor for underpayment of prevailing wages.

Nevada adopted a measure requiring building and loan associations to maintain a banker's blanket bond in an amount equal to 5% of total assets, covering all officers, employes and agents. New Hampshire deleted its statutory maximum on bank fidelity coverage, and North Carolina authorized directors of credit unions to fix the amount of surety bonds required of persons they employ, appoint or elect to positions involving the handling of money or personal property.

Several bills designed to regulate activities relating to the peaceful uses of atomic energy were enacted, including the coverage of disability due to exposure from radiation under the occupational disease law in New York and Oklahoma. Several states have set up commissions to study aspects of the nuclear energy problem.

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Agent qualification and licensing laws were adopted by Alabama, Florida, Iowa and New Jersey. Rhode Island authorized division of commissions with non-resident agents on a reciprocal basis. Oregon now has a law providing that an agent's license can be suspended or revoked for refusal to return to the company commissions on any unearned premium returned to insured for just cause. South Carolina authorized reciprocal agreements with other states on producer and adjuster licensing. Wisconsin exempted from examination an applicant soliciting exclusively for domestic mutual windstorm, cyclone and tornado insurers.

Bills to permit the commissioner to grant an extension of time within which to file annual statements were enacted in Kansas, Maine, Maryland, Nebraska, North Carolina, North Dakota, and South Dakota. Texas now has a law which provides for a verified declaration as to the correctness of annual statements and other reports. Laws increasing the minimum capital requirements of insurers were enacted in Arkansas, Florida, Georgia and South Carolina. Florida increased fire insurer deposits, made them applicable to casualty insurers, and made the deposits and those required of surety companies satisfied by the filing of a general deposit in the domiciliary state. Bills relating to examination of insurers were enacted in Illinois, Kansas, Nebraska, North Carolina and Oregon. New fair trade practice laws were enacted in Alabama, North Dakota and Texas.

Florida and Hawaii banned fictitious fleet rates for fire and casualty insured. California, Colorado, Hawaii, Kansas, Michigan and Rhode Island enacted legislation prohibiting the licensing of alien companies owned or financially controlled by another state or foreign country.

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Puerto Rico, Oklahoma and West Virginia adopted new insurance codes, Alaska extensively revised its laws especially on capital and surplus requirements; Washington made several amendments to its insurance law—and revision studies are going on in Alabama, Arkansas, Montana and South Dakota.

Idaho and South Dakota revised their regulations with respect to reinsurance requirements. Maryland authorized the commissioner to waive requirements relating to liability and compensations reserves on combination or multiple policies, and Arkansas and North Carolina statutorially authorized the placement of surplus with unauthorized insurers under certain conditions.

Arkansas now prohibits inducements to change insurance, and California prohibits free insurance as an inducement to purchase or rent property.

Nebraska now limits the loss on any one risk to which an insurer may expose itself to an amount not exceeding 10% of policyholders surplus.

In workmen's compensation monopolistic state fund legislation failed in six states, but one bill along this line is pending in New Jersey.

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Bills sponsored by the association to enact the uniform photograph and business records as evidence act, which permits admission of microfilm records as evidence, were enacted in South Carolina, Texas and West Virginia.

The association sponsored legislation in several states to amend retaliatory laws by placing them on an aggregate basis, and did secure adoption of the aggregate principle in Texas. Several departments indicated an intention to retaliate against companies of states that assess insurers in connection with workmen's compensation and motor vehicles security funds, and other types of special funds. Here the association got in touch with the departments and supplied them with briefs and memorandums in opposition to such retaliation.

The association is now negotiating with the Wisconsin department, which has made a retaliatory assessment against companies doing business in Wisconsin on the basis of the Michigan use tax. Insurers operating in Michigan pay this under an optional formula arrangement. Wisconsin has indicated its intent to proceed with such retaliation against companies of other states imposing use taxes.

National Assn. of Insurance Commissioners at its June, 1957, meeting recommended elimination of requirement of reinsurance information on page 14 and schedule T of the annual statement, which is a step the industry long has advocated. However, the commissioners have also recommended insertion of an additional column on page 14 of the blank requiring the report of direct premiums earned, with a footnote that these may be estimated by formula on the basis of countrywide ratios for the respective lines of business except where adjustments required to recognize special situations.

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In this connection, National Board and the association filed a statement with the NAIC blanks committee, which was adopted as part of the committee's report. This states that the requirement above will provide certain difficulties for many companies and the figures will reflect certain inconsistencies among individual companies; that the annual statement should be primarily a financial statement, with statistical data held to a minimum; that approximation methods suitable for making a reasonable distribution by state, by line, for annual statement purposes would, in the very limited time available for completion of annual statements, be inferior in accuracy to methods used for determining earned premiums for specific purposes which allow more time for refinement of the calculation method; and that such estimates are not as reliable as state results developed by an accepted statistical plan.

Mr. Murphy's report also points out that the New York department has asked the industry to designate representatives on a committee to consider the problem of evaluating agents' balances and premiums in the course of collection, and to make recommendations in connection therewith.

In connection with schedule P of the annual statement, the association report says, "the changing conditions of the business made it desirable to appoint a subcommittee to study the various aspects of this subject. This committee will, in cooperation with other segments of the industry, review the problems that are presented by this schedule and the statutory requirements of certain states with respect thereto."

Royal-Globe Advances Nichols, Conneely

Royal-Globe has appointed J. Roy Nicholas assistant secretary, and John H. Conneely manager of methods and planning suceeding Mr. Nicholas who has held that position since 1953.

Mr. Nicholas joined the group as a claims investigator in the New York metropolitan department in 1948. He was advanced to claims supervisor in 1950. Mr. Conneely, who has been assistant manager of methods and planning since 1953, went with the group as supervisor of forms control in 1952.

Wenatchee (Wash.) Agents Elect

Albert W. Libke has been elected president of the Wenatchee Assn. of Insurance Agents. Also elected were Noel Jones, vice-president, and Clair Warren, secretary-treasurer. Carl Case and Howard Strating were named directors.

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Ind. Hospitals Get Questionnaire On Insurance Practices

The direct question of whether or not they give special rates to any insurer is being asked all licensed hospitals in Indiana by the state's legislative committee investigating hospitalization insurance practices. The question is the first half of question 9 on an 11-question form mailed by the committee Dec. 24. Second half of the question reads, "Do you give any credit to some company, or companies, not given to all others?"

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Five other questions also probe for practices favoring one insurer or showing discrimination among insurers, among them:

"Do you permit or direct any of your employes to recommend any insurance company? If so, please list company or companies."

"Do you charge a fee for completing claim forms? If so, is the charge made to all insurance companies?"

"Do you advertise for any insurance company? Would you do the same for any company or plan?"

Other questions completing the form going to hospitals are:

"List the insurance companies with which you have experienced difficulty in settlement of claims and state the nature of difficulty."

"Do companies cover diagnostic care and then cancel policy before patient can enter into treatment of the sickness or disease? If so, list such companies."

"Are you required to file admitting diagnosis for patients on admittance to the hospital? Do you believe this to be troublesome or do you feel it serves a useful purpose?"

"Do you charge out-of-town patients the same rate for hospital care that you make to residents of your own county? If difference in rates, please explain why."

"Do you enter into a contract to provide hospital care to insured of any company?"

"Would you favor a uniform claim form and benefits assignment form?"

Interstate Agency Expands

S. C. Harboe has joined the Interstate Agency of Denver and will be in charge of a new office at Albuquerque. The Albuquerque office will be a new corporation known as Interstate Agency of New Mexico Inc. and Mr. Harboe will be vice-president. Other officers are Charles H. Jones, George E. Simonton and Donald E. Vollmer of Interstate Agency of Denver.

Mr. Harboe had experience in the company and agency ranks as underwriter and field man.

Breit Heads Cal. Brokers

Benjamin Breit, San Francisco, has been elected president of Insurance Brokers Exchange of California, succeeding Lawrence J. Purcell. William A. Irvine, Los Angeles, has been elected vice-president, and Lloyd M. Kahn, San Francisco, secretary-treasurer.

McCully Named Kemper Assistant

Edward N. McCully has been appointed an administrative assistant to James S. Kemper, chairman of Kemper companies. He joined the Kemper organization as an investment analyst in 1954 after serving as financial affairs officer to Mr. Kemper when he was U. S. ambassador to Brazil. Also, Peter Van Cleave, who has been assisting with the opening of Kemper operations in Brazil, has resumed his duties as administrative assistant to the chairman.

Rate Increase Asked In N. Y. Is Modest: Cahill

(CONTINUED FROM PAGE 1)

rate increases. These were that the increase asked was excessive, that the bureaus in using two years of experience used too short a base, that administrative expenses are predicated on an unsound foundation, and that the experience relied upon by the bureaus did not include any under compulsory automobile.

Mr. Cahill put in a number of exhibits and much testimony to show that the rate increase asked, in view of the evidence, was meager, even inadequate.

He declared that the two year rate level has been used for automobile liability rate making over the country and in New York for 30 years, and that the two years used by Allstate in getting a 12.9% increase approved by the New York department last Sept. 12 were the same two years used by the bureau for the revision the department turned down.

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As to administration expense being predicated on an unsound basis, Mr. Cahill said the filing for a rate increase included a factor of 5.4% of premiums for this item. This figure is substantially down from the 7.2% used in 1952.

National Bureau, by working night and day, was able to produce for the hearing experience for the first half of 1957, half a year under compulsory, Mr. Cahill testified. The figures for National Bureau companies cover $124,543,000 of premium and the loss experience indicates that the insurers are entitled to a 14.8% increase in BI and a 15.5% increase for PDL.

Mr. Cahill painted a grim picture of underwriting results in auto liability since World War II, in New York and countrywide. Mr. Gross objected to his characterization of these losses as "tremendous."

In 1956 in New York the loss was 10.1% or $24,105,000. Almost without exception, he said, member companies of National Bureau showed a 1956 underwriting loss on the class in New York. The only three exceptions were groups that are large writers of PHD and small BI writers. New York loss ratios consistently have run higher than countrywide 1953 through 1956, he said.

The filing which Mr. Holz turned down last Nov. 12, Mr. Cahill delineated, was prepared in accord with the rate filing procedure used throughout the country. The figures on which the revision was based were accumulated in accord with the statistical plan officially approved by the New York department.

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The figures are credible. Member companies of the two bureaus write 75% of the total number of private passenger cars and 80% of the total auto liability premium in New York. The rate revision met statutory and statistical standards.

It was at this juncture that Mr. Gross interrupted to ask Mr. Cahill for a copy of the manuscript he was reading. Mr. Donovan rose to point out that Mr. Cahill was doing so well in presenting his testimony he could understand why Mr. Gross thought it was written out, but it was not a manuscript. Mr. Cahill was testifying from notes.

No attempt was made in the calculations of the rate revision to recoup past underwriting losses, Mr. Cahill said. The rates were set to apply to the future. Trend factors were applied based on average New York paid claim costs. However, he noted, the trend factors used were applied only to paid claims and not to outstanding losses, which greatly curtailed the effect of the trend factors. He noted that rate making is done only on experience for basic limits of 10/20/5 so the experience is not influenced by catastrophe losses.

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Losses used included only allocated claim expenses, Mr. Gross asked. Yes, Mr. Cahill replied, though in other states the losses include also unallocated loss adjustment expense.

Out of every dollar of claims only 59 cents goes to claims, Mr. Gross asked, of which around 3% of premiums, BI and PDL combined, goes to claim expense. Thus only about 56 cents goes for claims.

Mr. Cahill said he wouldn't put it that way, the amount paid in costs of defense of insured is just as important to him as the claim paid.

The filing for a 9.5% increase reflected the experience of the companies of the two bureaus in combination, Mr. Cahill said, but the loss experience of National Bureau members and subscribers consistently runs about three points higher than for those of the combined figures. On the National Bureau only basis, the increase indicated was 14.6%.

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The filing had the same base as previous filings except that the total production cost allowance was 20% instead of 25%, there was a minor tax provision change because of the increase in the cost to the insurers for paying the operating expenses of the compulsory law, and unallocated adjustment expense was set at 11% for BI and 17% for PDL, which was a change. The production cost allowance includes acquisition expenses other than commissions, he said.

A 3.5% provision for profit and contingencies was included in the filing, though that is 5% in 47 other states and territories. Because the loss ratio of National Bureau companies is three points above that of Mutual Bureau companies, the rate increase provides that the former literally would be operating under a rate structure containing nothing for profit, even with the rate increase.

There was no allowance in the rate for calculations of broadened coverage under the family automobile policy, none for the 25% discount allowed on the second and other cars owned by the same insured which is estimated to run half of 1% of premiums, no inclusion of the poor experience on surcharged assigned risks, no allowance for the known increase in claim frequency.

For about 80% of the cars that class as 1A, 1B, and 1AF, Mr. Cahill declared, the proposed rates are not much higher and in some cases they are lower than rates five years ago.

Mr. Gross objected to introduction of the figures for 1957 first half as not bearing on the Oct. 15 filing, and Mr. Lamanda said he thought it should be the subject of a new filing.

Mr. Donovan said not to take such corroborating information would make a mockery of the hearing. Mr. Holz disapproved the filing for one reason because experience information was not up-to-date enough and there was no experience under compulsory. Yet here is such information. The additional data, which the bureau worked night and day to get ready for the hearing, reinforces the position of the bureau that the rate increase asked is not excessive.

Anyway, Mr. Gross said, six months under compulsory isn't enough. No experience can be considered outside that contained in the filing that was denied. Mr. Friendly said the purpose of the hearing was to present evidence to prove the superintendent wrong in his disapproval.

It would not be unique, Mr. Donovan said, for a department to bar material not available at time of filing. To do so would frustrate the legislative intent of the rating law. If the bureaus had nothing new, the department could not reverse its decision.

Mr. Gross said it might upset every department decision to reject a filing, to entertain new evidence in this way.

Mr. Lamanda accepted the exhibit but asked Mr. Donovan for five years of experience. Mr. Donovan said the department can ask for that but it is part of the bureau's case that a five year base is not good rate making.

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For National Bureau companies the accident year 1955 and loss ratio on present rates was 64.79, for 1956 67.92, and for the 1957 first half, 71.69 for BI. For PDL the comparable loss ratios were 58.84, 64.32, and 66.78. For BI and PDL, the comparable ratios were 63.41, 67.09, and 70.55. Ths indicates that as of last June 30 the indicated rate increase needed was 20.6 for BI and PDL for basic limits.

Mr. Cahill also testified that as of last June 30 the average paid claim cost for BI in New York was 8.2% higher than on Dec. 31, 1955, and PDL was 9.9% higher. The average plaintiff verdict in the New York supreme court was $5,350 in 1946 and $11,188 in 1957.

When he discussed the propriety of a two year period for rate making, Mr. Gross asked him if, with a longer period, judgment and trends would be eliminated. No, Mr. Cahill replied, a five year base would produce rates hopelessly inadequate. Inflation and other factors have forced an upward trend. But inflation might become deflation, Mr. Gross suggested. If so the two year base makes rates more quickly responsive to realities, Mr. Cahill declared.

He added that no objection to the two year base was raised by the department between the 1956 filing which it approved and the Oct. 15, 1957, filing which it disapproved.

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Mr. Gross objected to putting in the material relating to approval of an increase for Allstate. Mr. Cahill replied the approval was on evidence for the same two years as the filing of the bureaus and the evidence was no more up-to-date. Mr. Lamanda said Allstate rates still are below those of the bureaus so the public has the right to buy auto insurance for less than the price charged by bureau companies. Mr. Donovan said Allstate doesn't sell the same thing as the bureau companies including the services of the independent agent. Some may want to discount the agency system some, Mr. Donovan declared, but certainly not 100%.

Also, Mr. Donovan added, it is not only unfair but illegal for the superintendent to apply one set of standards for one company and another set for other companies.

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Mr. Gross said the department is not concerned with the services of the American agency system. Also Mutual Bureau has members that sell the same way Allstate does. He said Allstate could subscribe to National Bureau and deviate. Its experience data was different as is indicated by its different rates.

Mr. Cahill said that the 8% or so uninsured cars in New York brought under insurance by compulsory would have to be absolutely accident free to affect insurer experience enough to offset the need of the 9.5% rate increase. That is not logical to assume. Mr. Gross said that when they came into compulsory they were accident free. Theoretically yes, Mr. Cahill conceded.

The commercial car revisions called for an increase of 14.7% in BI and a reduction of 9.1% for PDL, for a 5.9% increase combined.

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Aetna Life	189	193
Agricultural	23½	24½
American Equitable	26	28
American (N. J.)	21	22
American Motorists	9½	11
American Surety	14	15
Boston	29	30½
Camden Fire	26	27
Continental Casualty	72	73
Crum & Forster com.	47	48½
Federal	38¾	39¾
Fire Association	34½	36
Fireman's Fund	44½	45½
General Reinsurance	47½	48½
Glens Falls	26½	27½
Globe & Republic	14¼	16¼
Great American Fire	31¼	32¼
Hartford Fire	131	135
Hanover Fire	31	32¼
Home (N. Y.)	36¼	37¼
Ins. Co. of No. America	91	93
Maryland Casualty	29¼	30¼
Mass. Bonding	29½	30½
National Fire	67	70
National Union	28½	29½
New Amsterdam Cas.	38	40
New Hampshire	36½	38½
North River	32½	33½
Ohio Casualty	18½	20
Phoenix Conn.	58	60
Prov. Wash.	12	13
St. Paul F. & M.	44½	46
Security, Conn.	21½	22½
Springfield F. & M.	39¾	41½
Standard Accident	44	45
Travelers	73½	74½
U.S.F.&G.	58½	60
U. S. Fire	23¾	24¾

Late News Bulletins . . .

(CONTINUED FROM PAGE 1)

been considering the elimination of the five year term that America Fore will not tie its hands competitively while other insurers use the five year feature to help themselves to America Fore business. If America Fore follows this line of action elsewhere when and if the issue arises, other major underwriters are not apt deliberately to forego use of so valuable a competitive tool.

The reduction in the term discounts in the dwelling field is also coming under increasingly critical discussion nationally as the independent filing insurers which did not reduce the discount on dwelling package business report new records in the writing of these forms while the inflow of such business to the conference insurers is drying up.